

Creative approach to solutions

ANNUAL REPORT 2011 - 2012

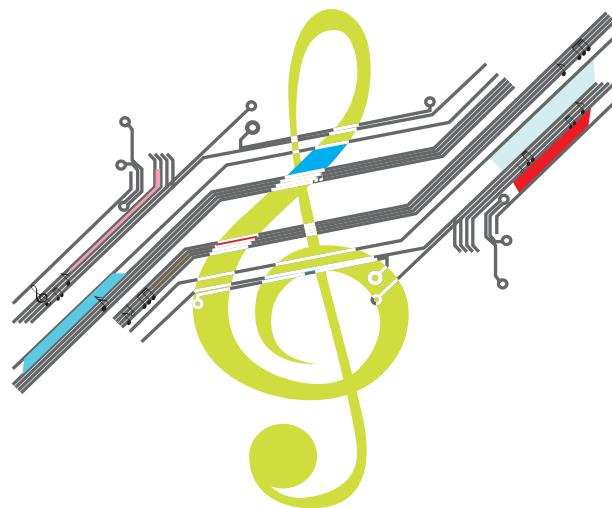
Change is a continuous phenomenon. But when economies and technologies change as fast as they do now, organizations, industries and indeed many nations have to find creative solutions to manage this change.

At Sonata, our customers are our priority. We help them accomplish business objectives in an increasingly competitive, complex and globalized business environment. We enable our customers to achieve operational excellence, create avenues for growing their business and ensure compliance with regulatory requirements by implementing technologies that are relevant and current. In an environment of rapid change, our clients are increasingly looking for more meaningful and profitable engagements with their customers and markets. And we recognize that our role and responsibility in this environment is to collaborate and be co-creators of business value as true partners in growth.

With renewed energy we focus on collaborating at multiple levels with our clients and often with their customers to ensure that we clearly understand their business challenges so we can co-create the most innovative solutions. This creative approach reflects in all aspects of our business be it in our engagement models, our alliances, technology solutions that we deliver, the processes we follow and in our investments in infrastructure, technologies and people.

As we look ahead into the future, we renew our commitment to sowing the seeds for sustained growth, to sharpening our focus on execution and to creating enduring value for each of our stakeholders. We will do this by leveraging on our experiences and embracing change with fresh and creative perspectives that energises every aspect of our business.

Sonata Software
Powering Creative Solutions.



Sonata Software Limited

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Sonata Software Limited

DIRECTORS' REPORT

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

Your Directors have pleasure in presenting the Seventeenth Annual Report of your Company together with the Audited Statement of Accounts for the financial year ended 31st March, 2012.

FINANCIAL RESULTS

(₹ in Crores)

Description	Standalone		Consolidated	
	Year ended 31.03.2012	Year ended 31.03.2011	Year ended 31.03.2012	Year ended 31.03.2011
Total Income	233.73	255.97	1577.60	1410.95
Total Expenditure	213.45	191.68	1585.51	1298.24
Profit Before Tax	20.28	64.29	(7.91)	112.71
Total Tax Expense	5.37	2.43	9.42	16.71
Share of earnings in affiliates	-	-	2.32	0.40
Minority Interest	-	-	(12.42)	10.79
Net Profit	14.91	61.86	(2.59)	85.61
Appropriations:				
Proposed Dividend	2.63	10.52	2.63	10.52
Interim Dividend	5.26	10.52	5.26	10.52
Provision for Dividend Tax	1.28	3.45	1.28	3.45
Transfer to General Reserve	1.50	7.00	1.50	7.00

BUSINESS PERFORMANCE

Your Company is primarily engaged in the business of providing IT Services and Solutions to its customers in the US, Europe, Middle East and India. During the year, the Company faced challenges due to quick changes in top Management and the continued softening in the business environment in Europe where it has a significant presence through its Joint Venture with TUI InfoTec GmbH. Fluctuating currency trends also has had a role to play in the overall performance of your Company.

On a standalone basis, the Company has shown a drop in total income of 9% and drop in profits by approximately ₹ 47 crores. The drop in revenues was primarily due to the loss of a large customer for whom the Company had established a dedicated offshore development centre in India and also on account of reduction in business from Europe and its Joint Venture, TUI InfoTec GmbH. The sharp drop in revenues by about ₹ 22 crores, had an effect on utilization and consequently on the profits. People and other direct costs increased by about ₹ 7 crores, currency gains showed a negative swing of approximately ₹ 13 crores and overheads increased by approximately ₹ 5 crores contributing to the swing in profits by ₹ 47 crores.

During the year the Company underwent two major changes in its leadership. Mr B Ramaswamy resigned from his position as President & Managing Director and took on the role of a

Chief Mentor (Consultant). He was succeeded by Mr Sanjay Viswanathan, Managing Director & CEO with effect from 17th August, 2011. Subsequently, Mr Sanjay Viswanathan also resigned from the Company on 14th February, 2012 and the Board of Directors on the same day appointed Mr Srikar Reddy, a Company veteran, as the Managing Director & CEO of the Company. Srikar has been with the Company since inception and his mandate is to bring in stability followed by growth.

The Consolidated financials show a growth in total income of ₹ 167 crores a growth of 12% on a year over year basis. On a consolidated basis the Company has incurred losses primarily on account of the TUI InfoTec GmbH, the Company's German Joint Venture. The Consolidated financials cover the three business lines of the Company – (a) the Software Services business, (b) Domestic Products and Services and (c) our Joint Venture – TUI InfoTec, Germany. The three business lines of the Company have unique business rhythms, profitability and growth trends.

The Software Services business contributed approximately ₹ 21 crores (previous year ₹ 66 crores) of the total profits of the Company. The drop in profits in this segment is largely the same as what was explained for the Standalone financials above.

The Domestic Products and Services business showed a revenue growth of 32% contributing significantly to the overall revenues of the Company. However, during the year the Company restructured product business within this segment by re-aligning the product mix leading to some write offs and consequent losses. The products business had a drop in margins by about ₹ 18 crores. The Services business had revenues of ₹ 22 crores showing a growth of 50%. The Company is seeing significant traction in the services segment and this will be the area of focus going forward. The Interest burden in the Domestic business segment was at ₹ 10 crores an increase of almost 80%. The interest cost is primarily on account of domestic tax regulations which have a significant impact on the working capital of the business. The Company has made significant progress in addressing the above issues and is poised for a sustainable performance in 2013.

The third business segment of the Company is TUI InfoTec GmbH, the Company's Joint Venture in Germany. TUI InfoTec is the significant provider of service to the TUI Group which is a multi-billion euro enterprise focused on the European tourism sector. The continuing softening of the economy in Euro zone has had a direct impact on the tourism business and consequently on our Joint Venture. The Joint Venture showed revenue de-growth of ₹ 12 crores i.e. 2%. EBITDA of the Joint Venture was ₹ 16 crores a drop of ₹ 48 crores over the previous year. Costs, both direct and Indirect have shown an increase of ₹ 36 crores which coupled with drop in revenues have contributed to the EBITDA drop of approximately ₹ 48 crores. During the year, the Joint Venture undertook certain measures to manage costs and offered a voluntary retirement program as per German Laws. Costs of such program are not an immediate cash outflow and they are deferred over a period such that the savings and costs are matched. However, as per German accounting standards provisions have to be made in the financial statements as soon as an employee opts for the package. Provisions for such restructuring costs were approximately ₹ 12 crores. The other increase in costs were on account of increase in payroll costs, sub-contractor costs and other pass through costs such as purchased hardware and software. The revenue guarantee to the Joint Venture by TUI AG expired in December, 2011. Your Company is working alongside the Management of the Joint Venture to address the issues at the Joint Venture and is confident of reaching a solution.

DIVIDEND

Your Directors are pleased to recommend payment of a final dividend of ₹ 0.25/- per equity share (@25% on par value of ₹ 1/- each), subject to the approval of shareholders at the forthcoming Annual General Meeting, which along with the interim dividend of ₹ 0.50/- per equity share adds upto a total dividend of ₹ 0.75/- per equity share (Previous year - ₹ 2/- per equity share of ₹ 1/- each).

If approved, the final dividend will be paid to all those equity shareholders whose names appear on the Register of Members of the Company on 2nd July, 2012 and to those whose names

appear as beneficial owners in the records of National Securities Depository Ltd and Central Depository Services (India) Ltd. as on the said date.

QUALITY

During the year under review, your Company has been assessed at SEI CMMI-Level 5 (v1.2) for its delivery operations. The assessment recognizes your Company's capability to provide high quality software solutions through robust software development processes and signifies the commitment towards delivery excellence, process maturity and service quality ensuring timely and best-in-class solutions for its customers globally.

The quality organization has been re-organized into Delivery Excellence teams, enabling improvement in delivery and customer satisfaction within each Business Unit and Corporate Quality Assurance team driving organizational initiatives and excellence in Support Functions. The delivery processes have undergone substantial refinement, so as to be lean, flexible yet effective.

Risk Management process has been enhanced to minimize the adverse impact of risks related to delivery.

The sustenance of quality culture has been demonstrated during surveillance audits under the standards ISO 9001:2008, ISO 20000-1:2005 and ISO 27001.

Your Company plans to formalize its processes towards Environmental Management (EMS), by aligning to the best practices prescribed by ISO 14001.

LISTING / LISTING FEES

Your Company's equity shares are listed on Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd., exchanges having nation-wide terminals.

The Annual listing fees for the year under review has been paid to Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd., where your Company's shares are listed.

SUBSIDIARY COMPANIES

The statement pursuant to Section 212(1)(e) of the Companies Act, 1956 in respect of subsidiaries is attached except for Abisko Development Ltd, Cyprus which is being wound up voluntarily as there have been no transactions in that Company for the last several years. The Consolidated Accounts of your Company and its subsidiaries viz., Sonata Information Technology Ltd, Sonata Software North America Inc., USA (formerly known as Offshore Digital Services Inc.), Sonata Software GmbH, Germany, Sonata Europe Ltd, UK, Sonata Software FZ LLC, Dubai, Sonata Software (Qatar) LLC and TUI InfoTec GmbH, Germany duly audited by the Statutory Auditors are presented as part of this Report in accordance with Accounting Standard 21 and the Listing Agreement with the Stock Exchanges, wherever applicable.

Your Company has been exempted by the General Circular No. 2/2011 dated 8th February, 2011 issued by the Ministry of Corporate Affairs from attaching the audited accounts of subsidiary companies for the financial year ended 31st March, 2012. Accordingly, the audited accounts of the above mentioned overseas subsidiary companies are not attached. However, they are available on the Company's website www.sonata-software.com.

The audited accounts of overseas subsidiaries have been made available for inspection by any shareholder at the Company's Registered Office and at respective Registered Offices of overseas subsidiary companies. Copies can be made available, on request to the shareholders of the holding and subsidiary companies at any point of time.

Your Company has incorporated a wholly owned subsidiary company, Sonata Technology Solutions India Limited on 12th April, 2012, for the purpose of starting new services and products business for Asia-Pacific Region, primarily in India.

RECOGNITION

Zinnov Management Consulting Pvt. Ltd., a leading globalisation advisory firm, has recognized your Company for its excellence in providing Software / ISV R&D and Cloud Computing Services to global customers. Based on a comprehensive study conducted across R&D service providers, Sonata featured both under the Software / ISV as well as Cloud Computing verticals in Zinnov's "Execution Zone".

CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement with Stock Exchanges, a Report on Corporate Governance is provided elsewhere in this Annual Report along with the Auditors' Certificate on the compliance thereof.

During the year under review, your Company has not specifically adopted the voluntary guidelines of 'Corporate Governance Voluntary Guidelines 2009', though the Company has been practicing some of them.

SECRETARIAL COMPLIANCE REPORT

As a reflection of your Company's commitment to transparency, the Board is pleased to enclose the Secretarial Compliance Report for the financial year 2011-12, as part of this Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors, to the best of their knowledge and belief, state that the Company maintains proper accounting records which disclose with reasonable accuracy, the financial position of the Company.

Further, your Directors state that these accounting records have formed the basis for the preparation of financial statements of the Company in compliance with the provisions of the Companies Act, 1956, including any amendments thereto.

Your Directors also confirm that the financial statements of the Company are prepared in such a manner to give a true and fair view of the state of affairs of the Company as at the end of 31st March, 2012 and of the profit of the Company for the year to that date.

Your Directors state that in preparing the aforesaid financial statements of the Company, appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates, whilst applicable accounting standards have been followed and that these financial statements have been prepared "on going-concern basis".

Further, your Directors to the best of their knowledge and belief, state that appropriate internal control systems are in place which are reasonably expected to safeguard the assets of the Company and to prevent and detect fraud and irregularities.

ENERGY CONSERVATION, RESEARCH & DEVELOPMENT, FOREIGN EXCHANGE

The particulars, as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, with regard to conservation of energy, research & development and foreign exchange earnings & outgo are set out in the annexure attached to this Report.

Your Company has nothing to report on Technology absorption, adaptation and innovation.

PUBLIC DEPOSITS

Your Company has not accepted any deposits from the public during the year under review.

PERSONNEL

Particulars of employees as required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011, is attached to this Report.

COMMUNITY SERVICE

During the year under review your Company and its employees were part of following activities :

- New Year e-Greeting Cards made from paintings done by students at Rasoolpura Government High School and the Hope Foundation. This initiative served the dual objective of a green, pollution - free environment by saving on paper, as well as supporting the cause of the NGOs.
- 'Literacy-Palooza - a Book Donation Campaign with a mission to give children from low-income families the opportunity to read and own their own books.

- Aging hardware devices which consume more power are being replaced with new energy efficient devices – in order to reduce overall consumption of energy.
- Work spaces and common areas in our buildings are fitted with environment-friendly material. Wood interiors are minimized to 11% of the total project at Global Village, Sonata's Development Centre in Bangalore.
- Rainwater harvesting is being implemented at Global Village & Richmond Road Offices.
- Sonata's Development Centre at Global Village, Bangalore, leverages sewage treatment plant and water recycling facilities in the campus.
- Inter-office shuttle vehicles / buses between Sonata offices are deployed to ensure employees use a common transport system and avoid the use of individual vehicles.
- In an endeavor to make its offices paperless and save paper, use of paper cups has been discontinued and replaced with reusable demitasse cups.

ACKNOWLEDGEMENTS

Your Directors would like to place on record their gratitude for all the guidance and co-operation received from all its clients, vendors, bankers, financial institutions, business associates, advisors, regulatory and government authorities.

Your Directors also take this opportunity to thank all its shareholders and stakeholders for their continued support and all the Sonatians for their valuable contribution and dedicated service.

For and on behalf of the Board

Place : Mumbai
Date : 24th May, 2012

Pradip P Shah
Chairman

DIRECTORS

Mr S B Ghia and Mr Pradip P Shah, Directors, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting (AGM). Brief profiles of these Directors are given in the notes to the Notice of the ensuing AGM.

During the year, Mr B Ramaswamy, President and Managing Director resigned from the services of the Company on 16th August, 2011. Mr Sanjay Viswanathan was inducted as an Additional Director and designated as Managing Director & CEO with effect from 17th August, 2011. Subsequently, at the meeting of the Board of Directors held on 14th February, 2012 citing personal reasons Mr Sanjay Viswanathan resigned. The Board of Directors at the same meeting appointed Mr P Srikar Reddy who was then the Deputy Managing Director & COO as the Managing Director & CEO with immediate effect, subject to approval of the shareholders.

AUDITORS

M/s N M Rajji & Co., Chartered Accountants, Mumbai, Statutory Auditors of the Company, retire at the forthcoming AGM and have expressed their willingness to continue as Statutory Auditors for the financial year 2012-13 and accordingly, a resolution proposing their appointment is being submitted to the AGM.

ANNEXURE TO THE DIRECTORS' REPORT

Particulars pursuant to Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988

1. CONSERVATION OF ENERGY

Though the Company does not have energy intensive operations, it continues to adopt energy conservation measures. Adequate measures have been taken to conserve energy by using energy-efficient computers and equipments with the latest technologies, which would help in conservation of energy. Other energy Management measures include installing sensors at work space area, control measures at HVAC vertical to create advanced air cooling since HVAC contributes 70% of the energy utilization and installing control device at panel levels to manage and arrest power pilferage. During the year under review, consolidation of facilities and replacement of CRT monitors with LCD have been some measures taken by your Company towards the above. As the cost of energy consumed by the Company forms a very small portion of the total costs, the financial impact of these measures is not material.

2. RESEARCH AND DEVELOPMENT (R&D)

During the year under review, your Company's competency groups focused on building Technology in competencies in Mobility, Analytics and Cloud Technologies that will have a major impact on the global technology landscape with the objective of increasing the sales volumes and improving delivery capability.

a) Specific areas for R&D at Sonata :

(i) Mobility

During the year, your Company has developed several frameworks around popular technology platforms namely SAP Mobility stack, IOS, Android and Windows Mobile (Mango), besides investing in creating own Solution accelerators. Some of the notable work is in the areas to ensure single code base runs on multiple platforms and processes, connecting to heterogeneous data sources, reporting and dashboards on multiple platforms and security of using the devices.

(ii) Cloud

During the year, your Company focused its R&D efforts on building frameworks around Azure platform from Microsoft and Force.com platform from Salesforce.com. Some of these frameworks and methodologies are targetted at software product companies to help to migrate their products onto Windows Azure.

(iii) Business Intelligence and Analytics

Your Company believes that BI and Analytics solutions will add significant value to its customers and during last year your Company has developed competencies and methodologies in this area specifically for Manufacturing, Retail and Distribution companies.

b) Benefits derived as a result of the above R&D

Your Company has gained considerable mind share in the industry by venturing into niche solutions.

These concerted efforts also helped your Company in acquiring new customers in the focus geographies. Your Company is presently marketing services in Mobility, Analytics and ADM services in Cloud Computing area.

c) Future Plan of action

Focus of competency groups in the current year is to continue to work on Cloud Computing, Mobility and Analytics for certain verticals and develop frameworks for key business processes.

d) Expenditure on R&D

R&D is carried on by the Company as a part of ongoing software development activity and the expenditure thereof is considered as part of operating expenditure. Hence, there is no amount that can be shown separately under the head of R&D expenses.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO / INITIATIVES TO IMPROVE EXPORTS

During the year under review, 100% of the revenue came from exports of developed software and related services to clients in USA, UK, Australia, Germany, UAE, Japan, Iceland, Denmark.

Foreign Exchange outgo on account of travelling, professional charges, subsistence / living costs, overseas salaries, capital goods, etc. was ₹ 33.18 crores and foreign exchange inflow on account of export of software services (net) was ₹ 223.40 crores.

Financial Year 2011-12 has seen a slight revival in the technology outsourcing spend. As per the data released by the National Association of Software and Services Companies (NASSCOM), Indian IT-BPO services exports expected to grow by 11-14 per cent during the year (source: NASSCOM website). Your Company has been successful in growing the size of existing teams, as well as branch into newer divisions within these customers.

During the year under review, your Company has made a conscious decision to expand its presence into new geographies like Qatar, which are experiencing rapid growth and are relatively untapped markets for offshore services. In June 2011, we announced a Joint Venture in Qatar under the name of Sonata Software (Qatar) LLC, with Mohammad Nasser Abdullah Al MISNAD. This is in addition to the growth we have been experiencing in some of our existing large customers, most of which are trusted multi-year relationships. We have also invested in strengthening new competencies and practice areas like Mobility, Analytics and Cloud Computing - where customers are likely to invest significantly in the coming year and beyond, to tap that demand. Our new business growth strategy is also linked to our collaboration & "go-to-market" initiatives with alliances like Microsoft, SAP, IBM, HP and Oracle, another area where we have been focusing on.

4. A detailed Management Discussion and Analysis Report is attached.

For and on behalf of the Board

Place : Mumbai
Date : 24th May, 2012

Pradip P Shah
Chairman

Information u/s 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 as amended and forming part of the Directors' Report for the year ended 31st March, 2012.

Sl. No.	Name	Age (Years)	Qualification	Designation & Nature of Duties	Remuneration (₹)	Experience (Years)	Date of Joining	Previous Employment
1	Mr. P Srikar Reddy	54	BE (Electrical) PGDBM (IIM)	Managing Director & CEO With effect from 14 th February, 2012	11,667,757	30	02.04.1986	Manager - Systems & Projects Betamatics Pvt. Ltd.
2	Mr. B Ramaswamy *	58	M.Sc. (Agri.) PGDBM (IIM)	Managing Director & President Resigned on 16 th August, 2011	6,973,849	35	01.10.1986	General Sales Manager - Voltas Limited
3	Mr. Sanjay Viswanathan *	41	B.A. (Eng.), P.G. Diploma in Advt. & PR MBA; AMP	CEO and Managing Director Resigned on 14 th February, 2012	5,899,072	15	17.08.2011	Independent Advisor
4	Mr. Ramesh Shastri *	56	BE (Electrical & Electronics)	Chief Innovation Officer Resigned on 31 st December, 2011	5,597,456	31	11.10.2010	Managing Director - Spike Source India
5	Mr. Uma Maheshwar Shastri *	45	MBA	Senior Vice President Head - Transport Travel Logistics Resigned on 31 st January, 2012	7,304,685	23	01.09.2008	Senior Vice President - NIIT Technologies

* Employed for part of the year.

Notes:

1. Remuneration includes Basic Salary, Allowances, Incentives, Commission, Company's contribution to PF, Superannuation Fund and taxable value of perquisites.
2. All appointments are contractual.
3. None of the employees are related to any Director of the Company.
4. During the year Mr. B Ramaswamy (alongwith his spouse) held more than 2% shares in the Company. None of the other employees own more than 2% of the outstanding shares of the Company as on 31st March, 2012.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (MDA)

a. Industry structure and developments

Financial Year 2011-12 has seen a slight revival in the technology outsourcing spend. As per the data released by the National Association of Software and Services Companies (NASSCOM), Indian IT-BPO services exports are expected to grow by 11-14 per cent during the year, while domestic services to grow by 13-16 per cent (source: NASSCOM website).

There is a clear shift in focus towards managed services model and new contracting models (output / outcome based) that align costs with activity levels. Customers are also trying to derive enhanced value from existing software investments – through application modernization, consolidation and upgrade of packaged solutions. There has been significant interest in some of the emerging technology areas like Mobility and Cloud Computing – in terms of adoption.

b. Opportunities and threats

In every challenge lies an opportunity. As explained earlier, we see a distinct preference from customers to align their costs with activity levels, using innovative contracting models like output / outcome based pricing or even risk reward models that involve sharing of IP. Sonata's proven track record in having worked on such models through various engagements, puts us in good stead to capitalize on this opportunity.

Our deep alliances with technology leaders like Microsoft, Oracle and IBM and involvement in several early adoption partnerships with them provides us with an early mover advantage on newer technology platforms and new releases of packaged applications. As customers embark on initiatives that derive enhanced value from existing software investments – through application modernization, consolidation and upgrade of packaged solutions, Sonata would be able to take advantage of these trends.

c. Segment wise performance

Please see the discussion on segment wise performance elsewhere in this Report.

d. Outlook

We see the turbulence in global markets, especially in Europe affect the customers spending. We do believe some of the actions we have taken of investing in new technologies, focus on key accounts and partnerships and alliances will mitigate the challenge .

We at Sonata over the last year focused on our existing customer base as the foundation for its growth. We have been able to grow our existing teams working for our

existing customers, as well as branch into newer divisions within these accounts, through ongoing investments in account management capabilities.

We have made a conscious decision to expand its presence into new geographies like Qatar, which are experiencing rapid growth and are relatively untapped markets for offshore services. In June 2011, we announced a Joint Venture in Qatar under the name of Sonata Software (Qatar) LLC, with Mohammad Nasser Abdullah Al MISNAD. We have also invested in strengthening new competencies and practice areas like Mobility, Analytics and Cloud Computing - where customers are likely to invest significantly in the coming year and beyond – to tap that demand. Our focus in the current year will also be to strengthen our new sales teams. Our new business growth strategy is also linked to our collaboration & “go-to-market” initiatives with alliances like Microsoft, SAP, IBM, HP and Oracle. All the above and our positioning as a specialized services partner will help in implementing our growth strategy.

e. Risks and concerns

The risks that face the Company are the ones that face the industry today and these are monitored periodically. These risks include cut down in IT budgets, volatility in currencies, availability of skilled talent, etc. As like all mid-tier IT services companies, client concentration is a significant risk. Top 10 clients contribute 82% of revenues of our IT services business. This is a metric that is constantly monitored and mitigation efforts through diversification are being implemented. Geographical spread, competition and financial stability of our customers are other customer centric risks that the Company faces. Litigation with Income Tax authorities in India specifically relating to deduction / exemption of profits derived from export of software under Section 10A of the Income Tax Act, treatment of payments for purchase of software as ‘royalty’ and consequently denying deductions for such payments on the basis that taxes have not been deducted at source etc., have given rise to large claims by the Income Tax Department. The Company has however agitated all of the above issues at various appellate levels and has received very favorable orders on all of them. Details of the open tax cases / litigation can be found in the notes to the accounts.

f. Internal Control Systems and their adequacy

Sonata has deployed adequate Internal Control Systems (ICS) in place to ensure a smooth functioning of its business. The Control Systems provide a reasonable assurance of recording the transactions of its operations in all material aspects and of providing protection against misuse or loss of Company's assets.

The ERP system which the Company had implemented during last year has helped in further strengthening the Internal Control Systems that are in place.

The existing Internal Control Systems and their adequacy are frequently reviewed and improved upon to meet the changing business environment.

g. Material developments in Human Resources

Sonata's biggest assets are its employees. We are continuously working on innovative initiatives to attract, train, retain and motivate our employees. Our endeavors are driven by a strong set of values imbibed in us and policies that we abide by. Our constant goal, and indeed our biggest strength, is a healthy, happy and prosperous work environment for all our employees.

During the year under review, the manpower strength of the Company decreased from 2167 to 2006 as of 31st March, 2012.

h. Financial Highlights

1. Revenues

Revenue from US was 54.27% and Europe was 39.68% for the year ended 31st March, 2012 as compared to 53.38% from US and 38.51% from Europe for the same period last year.

2. Operating Expenses

The ratio of operating expenditure to total income has increased by 15.57% over the same period last year.

3. EBITDA

The EBITDA was at 13.29% for the year ended 31st March, 2012 as compared to 28.86% for the same period last year.

4. Profit After Tax

Profit After Tax was at 6.38% for the year ended 31st March, 2012 as compared to 24.17% for the same period last year.

5. Interest and Borrowings

The Company was debt free as on 31st March, 2012 and had a Net Cash balance of ₹ 663.19 millions (includes investment in Mutual Funds). During the year the Company has incurred ₹ 0.16 million as interest cost.

6. Capital Employed

The Return on Average Capital Employed (ROCE) for the year ended 31st March, 2012 was 4.87% as compared to 20.41% for the same period last year.

7. Net Worth

The Return on Average Net Worth (RONW) for the year ended 31st March, 2012 was 4.87% as compared to 20.41% for the same period last year.

8. Fixed Assets

The Company added fixed assets to the extent of ₹ 82.06 millions. Additions were mainly incurred for new facilities at Bangalore (SEZ Unit at Global Village).

9. Cash Generation

Cash generated from operations was ₹ 86.85 million for the year ended 31st March, 2012.

10. Manpower

The total employee strength as on 31st March, 2012 was 2006 as against 2167 as on 31st March, 2011.

PERFORMANCE SUMMARY

1. Revenue

Revenue decreased by 10.68% at ₹ 2253.74 million for the year ended 31st March, 2012 as compared to ₹ 2523.08 million for the same period last year.

2. EBITDA

EBITDA was ₹ 310.64 million for the year ended 31st March, 2012 as compared to ₹ 738.66 million for the same period last year.

3. Profit After Tax (PAT)

PAT stood at ₹ 149.06 million for the year ended 31st March, 2012 as compared to ₹ 618.62 million for the same period last year.

Sonata Software Limited

AUDITOR'S CERTIFICATE

(Under Clause 49 of the Listing Agreement)

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

We have examined the compliance of conditions of Corporate Governance by Sonata Software Limited (the Company) for the year ended on 31st March, 2012, as stipulated in Clause 49 of the Listing Agreements of the Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **N M Raiji & Co.**
Chartered Accountants
Registration No.: 108296W

CA. Y N Thakkar
Partner
Membership No.: 33329

Mumbai
24th May, 2012

DECLARATION

(As required under Clause 49 of the Listing Agreement in relation to Code of Conduct)

I, P Srikar Reddy, Managing Director & CEO of Sonata Software Ltd., to the best of my knowledge and belief, hereby declare that all board members and senior Management personnel have affirmed compliance with the code of conduct for the year ended 31st March, 2012.

Mumbai
24th May, 2012

P Srikar Reddy
Managing Director & CEO

Sonata Software Limited

REPORT ON CORPORATE GOVERNANCE

Your Company is in compliance with the requirements of the guidelines on Corporate Governance stipulated under Clause 49 of the Listing Agreement and hereby presents the following Corporate Governance Report for the year 2011-12 based on the said requirements.

I. A BRIEF STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Sonata Software Limited is committed to good Corporate Governance. The fundamental objective of Sonata's Corporate Governance is "enhancement of the long-term shareholder value while at the same time protecting the interests of other stakeholders without compromising on compliance of any laws and regulations."

II. BOARD OF DIRECTORS

The Board of Directors of Sonata as on 31st March, 2012 comprised of seven Directors of whom three are Promoter Directors, one is an Executive Director and three are Independent Directors. None of the Directors are related to each other.

Some of the changes in Directors during the Financial Year 2011-12 are as follows :

1. Mr. B. Ramaswamy ceased to be Vice Chairman and Managing Director w.e.f 16th August, 2011;
2. Mr. Sanjay Viswanathan was appointed as Managing Director & CEO w.e.f 17th August, 2011 and he resigned as Managing Director & CEO w.e.f 14th February, 2012; and
3. Mr. P. Srikar Reddy, existing Deputy Managing Director & COO appointed as Managing Director and CEO with effect from 14th February, 2012.

During the Financial Year 2011-12, nine meetings of the Board were held. These meetings were held on 20th April, 2011, 27th June, 2011, 14th July, 2011, 28th July, 2011, 8th August, 2011, 16th August, 2011, 11th October, 2011, 3rd November, 2011 and 14th February, 2012.

The names, designation, categories of the Directors and their shareholding in the Company as on 31st March, 2012 are as given below :

Name of the Director	Designation	Category	Equity shareholding in the Company
Pradip P Shah	Chairman	Independent Director	Nil
S B Ghia	Director	Promoter Non-executive Director	14,600
M D Dalal	Executive Vice Chairman	Promoter Executive Director	12,94,600
Viren Raheja	Director	Promoter Non-executive Director	57,50,000
P Srikar Reddy	Managing Director & CEO	Executive Director	13,65,004
S N Talwar	Director	Independent Director	40,000
B K Syngal	Director	Independent Director	Nil

Details of Directors' attendance during the year, directorships / committee memberships held by them as on 31st March, 2012 are as given below :

Director's Name	No. of Board Meetings held	No. of Board Meetings attended	Whether attended the last AGM on 15 th June'11	No. of memberships in Boards of other Public Companies	No. of Committee memberships in all Public Companies@
Pradip P Shah	9	8	Yes	12	7
S.B.Ghia	9	8	Yes	5	5
M D Dalal	9	6	Yes	1	2
Viren Raheja	9	6	No	4	4
B Ramaswamy *	6	3	Yes	N.A.	N.A.
P Srikar Reddy	9	7	Yes	1	2
S N Talwar	9	7	Yes	13	8
B K Syngal	9	4	Yes	2	3
Sanjay Viswanathan **	3	3	N.A.	N.A.	N.A.

@ The disclosure includes membership / chairmanship of Audit Committee and Shareholders' / Investors' Grievance Committee in Indian public companies (listed and unlisted). None of the above Directors is Chairman in more than five Committees.

* Ceased as Vice Chairman & Managing Director w.e.f. 16.08.2011 and Director w.e.f. 18.08.2011

** Appointed as Managing Director & CEO w.e.f. 17.08.2011 and resigned w.e.f. 14.02.2012

III. AUDIT COMMITTEE**Terms of Reference**

The Audit Committee has inter alia the following mandate:

1. To oversee the Company's financial reporting process and disclosure of its financial information to ensure the financial statements are correct, sufficient and credible.
2. To recommend appointment / re-appointment and removal of the Statutory auditors, fixation of audit fees and also approve payment for other services rendered.
3. To review with the Management, performance of statutory and internal auditors, the adequacy of internal control systems, changes in accounting policies / procedures, major accounting entries based on the exercise of judgment by Management, significant adjustments in the financial statements arising out of audit findings, statutory compliance, qualifications in draft audit report, default in payments to shareholders / creditors, if any.
4. Discussion with statutory / internal auditors on nature and scope of audit, any significant findings / investigations and follow up there on.
5. To review, with the Management, the audited quarterly and annual financial statements before submission to the Board for approval.
6. To review the Company's financial and risk Management policies.
7. To review statement of significant related party transactions, Management letters / letters of internal control weaknesses and appointment, removal and terms of remuneration of the Internal Auditor.

Composition

- | | | |
|---------------|---|---------------------------------|
| B K Syngal | - | Chairman (Independent Director) |
| S B Ghia | - | Member (Non-executive Director) |
| Pradip P Shah | - | Member (Independent Director) |

Secretary

- | | | |
|---------------------|---|--|
| Praveen Kumar D | - | Company Secretary upto 20 th February, 2012 |
| Priya Manoj Jaswani | - | Company Secretary w.e.f. 21 st February, 2012 |

By Invitation

- | | | |
|------------------|---|--|
| Venkatraman N | - | Chief Financial Officer |
| Sathyanarayana R | - | AVP – Finance & Accounts |
| Y N Thakkar | - | Partner, N M Rajji & Co., (Statutory Auditors) |
| V Raghavendran | - | Partner, V Raghavendran & Co., (Internal Auditors) |
| S Vasudevan * | - | Partner, V Raghavendran & Co., (Internal Auditors) |

* In the absence of Mr V Raghavendran, attended meeting on 14.07.2011

Meetings and attendance during the year

Members	Meetings held	Meetings attended
B K Syngal	4	4
S B Ghia	4	3
Pradip P Shah	4	4

IV. REMUNERATION COMMITTEE

The Remuneration Committee was reconstituted on 17th July, 2009.

Terms of Reference

The Remuneration Committee reviews the policy on remuneration packages for Executive Directors, their Service Contracts, Stock Option details etc. However, remuneration of non-executive Directors is reviewed and decided by the Board of Directors.

Composition

- | | | |
|----------------|---|---------------------------------|
| S N Talwar | - | Chairman (Independent Director) |
| S B Ghia | - | Non-Executive Director |
| B K Syngal | - | Non-Executive Director |
| Viren Raheja * | - | Non-Executive Director |

* Appointed w.e.f. 8th August, 2011

Secretary

- | | | |
|---------------------|---|--|
| Praveen Kumar D | - | Company Secretary upto 20 th February, 2012 |
| Priya Manoj Jaswani | - | Company Secretary w.e.f. 21 st February, 2012 |

Meetings and attendance during the year

One meeting was held on 3rd November, 2011 and all members of the Committee were present.

Remuneration Policy

The Committee recommends the remuneration payable to Executive Directors based on their contribution to the growth and development of the Company.

Details of remuneration paid / payable to all the Directors during the Financial Year ended 31st March, 2012

Name	Salary & Perquisites (In INR)	Commission (In INR)	Shares issued under ESOP	Details of service contracts; notice period & severance fees
Pradip P Shah	Nil	4,67,545	Nil	Nil
S B Ghia	Nil	4,67,545	Nil	Nil
M D Dalal	Nil	704,763	Nil	Agreement dated 29.10.2007 valid upto 31.10.2012; Three (3) months notice period and no severance fees
Viren Raheja	Nil	4,67,545	Nil	Nil
B Ramaswamy *	61,72,981	8,00,868	Nil	Agreement dated 19.04.2010 valid upto 31.03.2015; Twelve (12) months notice period and severance fees equivalent to the salary and perquisites for the unexpired period of the Agreement
P Srikar Reddy	1,05,99,933	10,67,824	Nil	Agreement dated 16.10.2009 valid upto 19.10.2014; Twelve (12) months notice period and severance fees equivalent to the salary and perquisites for the unexpired period of the Agreement. Effective 14.02.2012 became Managing Director & CEO and a new Agreement is being entered into.
S N Talwar	Nil	4,67,545	Nil	Nil
B K Syngal	Nil	4,67,545	Nil	Nil
Sanjay Viswanathan **	58,99,072		Nil	Agreement dated 03.11.2011 valid upto 16.08.2014 Six (6) months notice period and severance fees equivalent to three months' salary

* Ceased as Vice Chairman & Managing Director w.e.f. 16th August, 2011

** Appointed as Managing Director & CEO w.e.f. 17th August, 2011 and resigned w.e.f. 14th February, 2012

The Criteria for making payments to non-executive Directors viz., Mr. S B Ghia, Mr. Viren Raheja, Mr. Pradip P Shah, Mr. S N Talwar and Mr. B K Syngal is the special resolution passed by the shareholders at their meeting held on 10th June, 2008, which authorizes the Board to pay commission to non-executive Directors in such amounts or proportions which cumulatively shall not exceed 1% of the net profits of the Company in any Financial Year.

V. INVESTORS' GRIEVANCE COMMITTEE:

Terms of Reference

The Investors' Grievance Committee facilitates prompt and effective redressal of shareholders' complaints and the reporting of the same to the Board periodically.

Composition

S B Ghia	- Chairman (Non-executive Director)
M D Dalal	- Member
B Ramaswamy *	- Member
Sanjay Viswanathan **	- Member
P Srikar Reddy ***	- Member

* Resigned as Member w.e.f. 18th August, 2011

** Appointed as Member w.e.f. 16th August, 2011.
Resigned w.e.f. 14th February, 2012

*** Appointed as Member w.e.f. 14th February, 2012

Secretary

Praveen Kumar D	- Company Secretary upto 20 th February, 2012
Priya Manoj Jaswani	- Company Secretary w.e.f. 21 st February, 2012

Meetings and attendance during the year

Members	Meetings held	Meetings attended
S B Ghia	4	4
M D Dalal	4	3
B Ramaswamy	2	2
Sanjay Viswanathan	2	2
P Srikar Reddy	Nil	Nil

Name & Designation of Compliance Officer

Praveen Kumar D, Company Secretary upto 20th February, 2012

Priya Manoj Jaswani, Company Secretary w.e.f. 21st February, 2012

Details of complaints received and resolved during the Financial Year ended 31st March, 2012 has been provided in the "Shareholders' Information" section of the Annual Report.

VI. SHAREHOLDERS' MEETINGS**Details of last three AGMs held :**

Year	Date	Venue	Time
2008-09	05.06.2009	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai – 400 001	4.00 p.m.
2009-10	15.06.2010	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai – 400 001	4.00 p.m.
2010-11	15.06.2011	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai – 400 001	4.00 p.m.

Special resolutions passed in the previous three AGMs

Year 2008-09 - Nil
Year 2009-10 - Nil
Year 2010-11 - Nil

Whether any special resolution passed last year through postal ballot - details of voting pattern, person who conducted the postal ballot exercise.

No

Whether any special resolution proposed to be conducted through postal ballot and if so procedure for postal ballot.

No

VII. OTHER DISCLOSURES

Disclosure on materially significant related party transactions that may have potential conflict with the interests of the Company at large.

Details are provided in Note 30 under Notes forming part of the Accounts in accordance with the provisions of Accounting Standard 18.

Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None

Whistle Blower Policy

The Company has established and put in place a Whistle Blower Policy which has been approved by the Audit Committee at its meeting held on 14th February, 2011. The policy covers the aspect of employees or other stakeholders in the Company to report questionable financial or accounting matter, fraudulent financial information, violation of company rules, policies and any other legal requirements. The said Policy has been communicated to the employees and is also available on the Company's website. The Company affirms that no employee has been denied access to the Audit Committee during the Financial Year 2011-12.

Mandatory / Non-mandatory Requirements

During the Financial Year 2011-12, the Company

- has duly complied with all mandatory requirements of Clause 49 of the Listing Agreement.
- has not adopted any of the non-mandatory requirements of Clause 49 of the Listing Agreement except requirements pertaining to constitution of Remuneration Committee and Whistle Blower Policy.

VIII. MEANS OF COMMUNICATION**Quarterly results / Other information**

- The quarterly results are generally published in Business Standard (all India edition) and in Navshakti (Mumbai edition).
- The quarterly financial statements, press releases, shareholding pattern and all other information disseminated to analysts / institutional investors are posted on Company's website (<http://www.sonata-software.com>) under Investor Relations Section.

IX. GENERAL SHAREHOLDER INFORMATION

It is provided in the section styled as **"Shareholders' Information"** published elsewhere in this Annual Report.

- As per Clause 49 of the Listing Agreement with Stock Exchanges, Company is required to obtain a Certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance. The Auditors' Certificate in respect of compliance thereof is enclosed in this Annual Report.

Sonata Software Limited

SECRETARIAL COMPLIANCE REPORT FOR THE YEAR ENDED MARCH 31, 2012

The Board of Directors
Sonata Software Limited
Bangalore

We have examined the registers, records and papers of **SONATA SOFTWARE LIMITED** as required to be maintained under the Companies Act, 1956 (hereinafter referred to as 'The Act'), the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the year ended 31st March, 2012.

On the basis of our examination as well as information and explanations furnished by the Company and the records made available to us, we report that:

1. The Equity Shares of the Company are listed on Bombay Stock Exchange Ltd. and the National Stock Exchange of India Ltd.
2. All the registers and other records prescribed under the Act and the Rules made thereunder have been maintained in accordance with the requirements of the Act.
3. All the requisite forms, returns and documents have been filed with the Registrar of Companies and other authorities as required under the Act and the rules made there under.
4. All the requirements of the Act relating to the meetings of the Directors, Shareholders and Committees of the Board as well as relating to maintenance of the minutes of the proceedings thereat have been complied with.
5. The Board of Directors of the Company is duly constituted.
6. The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of Section 299 of the Companies Act, 1956.
7. There was no issue of shares or any other securities during the year under report.
8. Share certificates have been delivered to the transferee within the time prescribed under the Companies Act, 1956. Applications for transfer and transmission of shares have been registered within the prescribed time and necessary entries have been made in the register prescribed for this purpose.
9. The provisions of the Companies Act, 1956 relating to declaration and payment of interim and final dividend have been complied with.
10. There were no borrowings during the year under report.
11. There was no instance of creation, modification or satisfaction of charge which required compliance with the provisions of the Companies Act, 1956.
12. Necessary approvals of the Directors, Shareholders, Central Government and other authorities wherever applicable and required under the Companies Act, 1956 have been obtained.
13. The Company has not altered the provisions of the Memorandum of Association or the Articles of Association during the year under report.

For **V Sreedharan & Associates**

Sd/-

V Sreedharan

Partner

FCS 2347: C.P. No.: 833

Date : 9th April, 2012

Place : Bangalore

Sonata Software Limited

AUDITOR'S REPORT

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

We have audited the attached Balance Sheet of **SONATA SOFTWARE LIMITED**, as at 31st March 2012, and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 (hereinafter to be referred to as "the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the annexure referred to above, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books;
3. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable;
5. On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that as on 31st March 2012, none of the Directors is disqualified from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
- b. in the case of the Statement of Profit and Loss, of the Profit for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **N M Raiji & Co.**
Chartered Accountants
Registration No.: 108296W

CA. Y N Thakkar
Partner

Place : Mumbai
Date : 24th May, 2012

Membership No.: 33329

ANNEXURE TO THE AUDITOR'S REPORT OF EVEN DATE

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) Physical verification of major assets was conducted by the Management during the year, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification as compared with the book records.
- (c) During the year, the Company has not disposed off substantial part of its fixed assets.
- (ii) The Company does not have any inventory during the year. Accordingly Clause (a), (b) & (c) are not applicable to the Company for the year.
- (iii) During the year Company has neither taken nor granted any loans, secured or unsecured from or to parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.

- (v) There are no transactions that need to be entered into the register in pursuance of Section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from the public.
- (vii) The Company has an adequate internal audit system, which was conducted by an independent firm of Chartered Accountants, which in our opinion is commensurate with the size and nature of its business.
- (viii) Maintenance of cost records has not been prescribed by the Central Government under Section 209(1) (d) of the Act.
- (ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise, cess and any other statutory dues applicable to it.
- (b) The dues of income tax and service tax that have not been deposited on account of dispute, the amount involved and the forum where the dispute is pending is detailed in the statement attached.
- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of any dues to any financial institution or bank or debenture holders.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit / nidhi / mutual benefit fund / society.
- (xiv) Proper records have been maintained of the transactions and contracts in relation to investments and timely entries have been made therein. We also report that the Company has held the investments in its own name.
- (xv) During the year, the Company has given a guarantee for availing non-funded facilities by its wholly owned subsidiary. The terms and conditions are not prejudicial to the interest of the Company.
- (xvi) The term loans obtained by the Company have been utilized for the purpose for which they were obtained.
- (xvii) Funds raised on short-term basis have not been used for long-term investments.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) Based upon the audit procedures performed and information and explanations given by the Management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **N M Raiji & Co.**
Chartered Accountants
Registration No.: 108296W

CA. Y N Thakkar
Partner

Place : Mumbai
Date : 24th May, 2012

Membership No.: 33329

Statement forming part of Audit Report – Clause ix (b)

Name of the Statute	Nature of Dues and Period	₹ in crores	Forum where dispute is pending
Income Tax Act, 1961 (Refer Note)	Income Tax and Interest thereon		
	Financial Year 2002-2003	0.78	Commissioner of Income Tax (Appeals)
	Financial Year 2003-2004	0.46	Commissioner of Income Tax (Appeals)
	Financial Year 2006-2007	17.95	Commissioner of Income Tax (Appeals)
	Financial Year 2007-2008	21.70	Commissioner of Income Tax (Appeals)
	Tax not Deducted at Source and Interest thereon		
	Financial Years 1999-2000, 2000-2001 and 2001-2002	28.42	Supreme Court of India
Finance Act, 1994	Service Tax, Penalty and Interest thereon		
	Financial Years 2005-2006 to 2008-2009	6.77	Customs, Excise and Service Tax Appellate Tribunal
		76.06	

Note : The above excludes disputed dues for which the Company has subsequently received favourable orders.

Sonata Software Limited

BALANCE SHEET AS AT 31ST MARCH, 2012

(₹)

	Note	AS AT 31.03.2012	AS AT 31.03.2011
EQUITY AND LIABILITIES			
SHAREHOLDER'S FUNDS			
Share capital	2	105,159,306	105,159,306
Reserves and surplus	3	2,881,859,821	3,033,900,939
		2,987,019,127	3,139,060,245
NON-CURRENT LIABILITIES			
Other long-term liabilities	4	17,533,992	-
Long-term provisions	5	13,376,536	9,095,503
		30,910,528	9,095,503
CURRENT LIABILITIES			
Trade payables		47,307,345	46,552,659
Other current liabilities	6	318,478,731	177,260,467
Short-term provisions	7	38,626,925	129,067,114
		404,413,001	352,880,240
TOTAL		3,422,342,656	3,501,035,988
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	8	285,087,776	304,414,190
Intangible assets	9	4,936,676	13,683,746
Capital work-in-progress		5,175,536	29,076,626
		295,199,988	347,174,562
Non-current investments	10	908,202,564	1,108,082,482
Deferred tax asset	11	62,790,091	49,611,882
Long-term loans and advances	12	312,802,838	369,097,664
		1,578,995,481	1,873,966,590
CURRENT ASSETS			
Current investments	13	220,075,486	49,401,182
Trade receivables	14	673,601,393	700,276,025
Cash and cash equivalents	15	443,118,030	388,748,632
Short-term loans and advances	16	499,868,164	466,613,878
Other current assets	17	6,684,102	22,029,681
		1,843,347,175	1,627,069,398
TOTAL		3,422,342,656	3,501,035,988

Significant accounting policies and notes on accounts

1 - 36

As per our Report annexed

For **N M RAJJI & Co.**

Chartered Accountants

CA. Y N THAKKAR

Partner

Membership No.: 33329

For and on behalf of the Board of Directors

PRADIP P SHAH

Chairman

VIREN RAHEJA

Director

R SATHYANARAYANA

AVP - Finance & Accounts

P SRIKAR REDDY

Managing Director
& CEO

S N TALWAR

Director

PRIYA MANOJ JASWANI

Company Secretary

S B GHIA

Director

VENKATRAMAN NARAYANAN

CFO

Mumbai, 24th May, 2012

Sonata Software Limited

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

			(₹)
	Note	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
INCOME			
Revenue from operations	19.1	2,253,738,146	2,523,079,797
Other income	19.2	83,540,463	36,572,483
Total Income		2,337,278,609	2,559,652,280
EXPENDITURE			
Employee benefit expenses	20	1,461,156,359	1,390,165,878
Other operating expenses	21	565,481,670	430,828,221
Total Expenditure		2,026,638,029	1,820,994,099
Earnings before interest, tax, depreciation and amortaization (EBITDA)		310,640,580	738,658,181
Finance costs	22	158,268	-
Depreciation and amortization expense		107,709,774	95,836,964
		107,868,042	95,836,964
Profit Before Tax		202,772,538	642,821,216
Tax expense			
Current tax	23	60,993,394	99,674,446
MAT credit		-	(82,804,684)
Net current tax		60,993,394	16,869,762
Deferred tax		(7,279,351)	7,330,960
Total Tax Expense		53,714,043	24,200,722
Profit After Tax for the year		149,058,495	618,620,494
EPS - Basic (on ₹ 1 per share)		1.42	5.88
EPS - Diluted (on ₹ 1 per share)		1.42	5.88
Significant accounting policies and notes on accounts	1 - 36		

As per our Report annexed

For and on behalf of the Board of Directors

For **N M RAJI & Co.**
Chartered Accountants

CA. Y N THAKKAR
Partner
Membership No.: 33329

PRADIP P SHAH
Chairman

P SRIKAR REDDY
Managing Director
& CEO

S B GHIA
Director

VIREN RAHEJA
Director

S N TALWAR
Director

VENKATRAMAN NARAYANAN
CFO

R SATHYANARAYANA
AVP - Finance & Accounts

PRIYA MANOJ JASWANI
Company Secretary

Mumbai, 24th May, 2012

NOTES FORMING PART OF THE ACCOUNTS

1. (i) Basis for preparation of financial statements

The financial statements are prepared in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on accrual basis.

(ii) Significant Accounting Policies

a) TANGIBLE & INTANGIBLE FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost less depreciation and impairment, if any. For this purpose cost comprises of cost of acquisition and all costs directly attributable to bringing the asset to the present condition for its intended use.

Depreciation has been provided on Building & Plant & Machinery, on straight-line basis and on other assets on written down value at the rate specified in Schedule XIV of the Companies Act, 1956 or at the rates as per company's depreciation policy for the following items:

Rates of Depreciation

	Sch. XIV Rate	Rate Adopted
Computers & Software	16.21 %	33.33 %

Leasehold improvements and Leasehold land are stated at cost and are amortized over the lease period.

b) INVESTMENTS

Long-term Investments are stated at cost. Provision for diminution in long-term investments is made, if it is permanent.

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. Current Investments are stated at cost or fair market value whichever is lower. All other investments are classified as long-term investments.

c) INVENTORIES

Software products developed / underdevelopment are stated at cost. Software development cost incurred on products ready for marketing are amortized equally over a period of three years or earlier based on Management's evaluation of expected sales volumes and duration of the products life cycle.

d) REVENUE RECOGNITION

Revenue from Technical Service Contracts / Software Development are recognized on the basis of achievement of prescribed milestones as relevant to each contract or proportionate completion methods as applicable.

e) FOREIGN CURRENCY TRANSACTIONS

Purchases and Services revenue are accounted at daily rates. Exchange fluctuations arising on payment or on realization are dealt with in the Statement of Profit and Loss. Monetary Assets and Monetary Liabilities are restated at the year-end closing rate and any difference arising thereof has been dealt with in the Statement of Profit and Loss to the extent it pertains to the current year.

f) DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

The Company has adopted Accounting Standard 30 (AS 30) "Financial Instruments : Recognition and Measurement" for the year. Based on the Recognition and Measurement principles set out in the AS 30, changes in the fair values of derivative financial instruments designated as effective cash flow hedges are recognized as "Hedging Reserve" directly in the Balance Sheet under Reserves & Surplus and later reclassified into Statement of Profit and Loss upon the occurrence of the hedged transaction. Changes in the fair value of ineffective cash flow hedges are recognized in the Statement of Profit and Loss as they arise.

g) EMPLOYEE BENEFITS

(i) Defined Contribution Plan :

Company's contributions paid / payable during the year to Superannuation Fund, ESIC, Pension Fund and Labour Welfare Fund are recognized in the Statement of Profit and Loss. There are no other obligations other than the contribution payable to the respective trust. Company's Contribution towards Superannuation and ESIC is based on a percentage of salary which is made to an approved fund.

(ii) Defined Benefit Plan :

Company's Contribution towards Provident Fund is based on a percentage of salary which is made to an approved fund.

Company's Contribution towards Gratuity is made to an approved fund as per actuarial valuation certificate obtained from an actuary which is determined using projected unit credit method.

(iii) Short-Term Employee Benefit :

Short-term employee benefits are recognized in the Statement of Profit and Loss relating to the year in which the employee has rendered service.

(iv) Long-Term Employee Benefit :

Long-term compensated absences are provided as per actuarial valuation certificate obtained from an actuary which is determined using projected unit credit method.

(v) Actuarial gains / losses are immediately taken to Statement of Profit and Loss and are not deferred.

2. Share capital**a) Break-up of equity shares**

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Authorized 150,000,000 equity shares of face value ₹ 1/- each	150,000,000	150,000,000
Issued 105,159,306 equity shares of face value ₹ 1/- each	105,159,306	105,159,306
Subscribed and paid-up 105,159,306 equity shares of face value ₹ 1/- each fully paid-up	105,159,306	105,159,306

b) Reconciliation of equity shares outstanding at the beginning and at the end of the year 31.03.2012

	AS AT 31.03.2012		AS AT 31.03.2011	
	No. of Shares	₹	No. of Shares	₹
At the beginning of the year	105,159,306	105,159,306	105,159,306	105,159,306
Movement during the year	-	-	-	-
Outstanding at the end of the year	105,159,306	105,159,306	105,159,306	105,159,306

c) Rights and preferences attached to equity shares

The company has equity shares having a par value of ₹ 1. Each Shareholder is entitled for one vote per share. The shareholders have the right to receive interim dividends declared by the Board of Directors and final dividend proposed by the Board of Directors and approved by the shareholders.

In the event of liquidation by the company, the shareholders will be entitled in proportion to the number of equity shares held by them to receive remaining assets of the company, after distribution to those it was secured.

The shareholders have all other rights as available to equity shareholders as per the provisions of the Companies Act, 1956, read together with the Memorandum of Association and Articles of Association of the Company, as applicable.

d) Equity Shareholders holding more than 5% of shares in the company (as certified by the Management)

	AS AT 31.03.2012		AS AT 31.03.2011	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Ravindra Krishna Kulkarni	-	-	11,500,000	10.94
Bhupati Investments & Finance Pvt. Ltd.	15,058,337	14.32	9,293,580	8.84
Suman Raheja	6,900,000	6.56	69,00,000	6.56
Akshay Raheja	5,750,000	5.47	57,50,000	5.47
Viren Raheja	5,750,000	5.47	57,50,000	5.47

3. Reserves and surplus

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Securities premium reserve	450,924,411	450,924,411
General reserve		
Balance as per last financial statements	618,154,246	548,154,246
Add: Transfer from surplus	15,000,000	70,000,000
	633,154,246	618,154,246
Hedging reserve		
Balance brought forward	30,712,825	187,121,127
Additions / Deletions during the year (net)	(209,435,534)	(156,408,302)
	(178,722,709)	30,712,825
Surplus opening balance	1,934,109,457	1,630,332,952
Add: Net profit after tax transferred from statement of profit and loss	149,058,495	618,620,494
Less: Appropriations		
Proposed dividend	26,289,827	105,159,306
Interim dividend	52,579,653	105,159,306
Provision for dividend distribution tax	12,794,599	34,525,377
Transfer to general reserve	15,000,000	70,000,000
	1,976,503,873	1,934,109,457
	2,881,859,821	3,033,900,939

4. Other long-term liabilities

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Loss on forward contracts (Marked-to-market)	17,533,992	-
	17,533,992	-

5. Long-term provisions

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Provision for employee benefits		
Leave benefits	13,376,536	9,095,503
	13,376,536	9,095,503

6. Other current liabilities

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Payable to employees	23,922,909	29,906,534
Statutory payable	24,079,045	33,878,997
Payable for capital goods	3,263,387	16,541,045
Loss on forward contracts (Marked-to-market)	161,188,717	-
Provision for expenses	94,582,356	86,805,683
Unpaid dividend	8,201,975	7,720,010
Others	3,240,342	2,408,198
	318,478,731	177,260,467

7. Short-term provisions

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Provision for employee benefits		
Gratuity	2,184,113	-
Leave benefits	5,888,118	6,848,340
Others		
Dividend	26,289,827	105,159,306
Dividend tax	4,264,867	17,059,468
	38,626,925	129,067,114

8. Tangible assets

(₹)

Assets	Gross block				Depreciation				Net Block
	Cost as at 01.04.2011	Additions	Deductions / Adjustments	Cost as at 31.03.2012	As at 01.04.2011	For the Year	Deductions / Adjustments	As at 31.03.2012	As at 31.03.2012
Leasehold land	35,200,000 (35,200,000)	- (-)	- (-)	35,200,000 (35,200,000)	2,332,511 (1,256,195)	1,079,264 (1,076,316)	- (-)	3,411,775 (2,332,511)	31,788,225 (32,867,489)
Buildings	15,493,000 (15,493,000)	- (-)	- (-)	15,493,000 (15,493,000)	2,714,703 (2,462,167)	252,537 (252,536)	- (-)	2,967,240 (2,714,703)	12,525,760 (12,778,297)
Leasehold improvements	193,558,922 (162,517,565)	31,993,210 (31,041,357)	-70,945 (-)	225,623,077 (193,558,922)	101,100,243 (71,640,368)	36,328,073 (29,459,875)	- (-)	137,428,315 (101,100,243)	88,194,762 (92,458,679)
Plant and equipment	357,975,340 (306,967,074)	35,166,814 (58,048,437)	3,412,350 (7,040,171)	389,729,804 (357,975,340)	269,060,901 (236,529,945)	44,917,293 (36,578,918)	2,283,739 (4,047,962)	311,694,455 (269,060,901)	78,035,349 (88,914,439)
Furniture and fixtures	114,138,128 (108,557,468)	8,482,785 (5,720,658)	2,914,870 (139,998)	119,706,043 (114,138,128)	93,166,513 (87,032,660)	6,877,773 (6,232,342)	2,416,271 (98,489)	97,628,015 (93,166,513)	22,078,028 (20,971,615)
Vehicles	16,630,876 (14,307,649)	- (2,323,227)	1,703,309 (-)	14,927,567 (16,630,876)	9,600,110 (7,390,755)	1,768,340 (2,209,355)	1,033,527 (-)	10,334,923 (9,600,110)	4,592,644 (7,030,766)
Office equipments	105,400,475 (99,355,546)	6,214,483 (6,166,429)	634,784 (121,500)	110,980,174 (105,400,475)	56,007,570 (48,611,000)	7,535,072 (7,491,687)	435,476 (95,117)	63,107,166 (56,007,570)	47,873,008 (49,392,905)
Total	838,396,741 (742,398,302)	81,857,292 (103,300,108)	8,594,368 (7,301,669)	911,659,665 (838,396,741)	533,982,551 (454,923,090)	98,758,351 (83,301,029)	6,169,013 (4,241,568)	626,571,889 (533,982,551)	285,087,776 (304,414,190)

Additional information: Buildings include cost of shares ₹ 7,000 (Previous Year ₹ 7,000)

9. Intangible assets

(₹)

Assets	Gross Block				Depreciation				Net Block
	Cost as at 01.04.2011	Additions	Deductions / Adjustments	Cost as at 31.03.2012	As at 01.04.2011	For the Year	Deductions / Adjustments	As at 31.03.2012	As at 31.03.2012
Computer software	121,023,921 (119,571,861)	204,353 (1,452,060)	- (-)	121,228,274 (121,023,921)	107,340,175 (94,804,240)	8,951,423 (12,535,935)	- (-)	116,291,598 (107,340,175)	4,936,676 (13,683,746)
Total	121,023,921 (119,571,861)	204,353 (1,452,060)	- (-)	121,228,274 (121,023,921)	107,340,175 (94,804,240)	8,951,423 (12,535,935)	- (-)	116,291,598 (107,340,175)	4,936,676 (13,683,746)

Additional information: Computer software includes related licenses

10. Non-current investments

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Trade, Long Term, unquoted and at cost in subsidiary companies		
Investment in equity instruments		
3,375,394 Equity shares of ₹ 10/- each in Sonata Information Technology Limited (fully paid)	33,753,940	33,753,940
[Previous year 3,375,394 Equity Shares of ₹ 10/- each - fully paid]		
300,000 Equity Shares in Sonata Software North America Inc, formerly Offshore Digital Services Inc. California (fully paid)	12,232,184	12,232,184
[Previous year 300,000 Equity Shares - fully paid]		
2 shares of Euro 12,500 each in Sonata Software GmbH, Germany (fully paid)	3,166,234	3,166,234
[Previous year : 2 shares of Euro 12,500 each fully paid]		
671,700 Equity shares of 1 Pound each in Sonata Europe Ltd., UK (fully paid)	57,281,788	57,281,788
[Previous year : 671,700 shares of 1 pound fully paid]		
500 Equity shares in Sonata Software FZ LLC of 1000 AED each (fully paid)	6,614,250	6,614,250
[Previous year : 500 Equity shares of 1000 AED each fully paid]		
98 Equity shares in Sonata Software (Qatar) LLC of 1000 QAR each (fully paid)	1,242,640	-
[Previous year : Nil]		
Investment in preference shares		
96,13,660 2% non-cumulative convertible redeemable preference shares of 1 Pound each in Sonata Europe Ltd., UK-fully paid	793,911,528	995,034,086
[Previous year : 120,49,100 shares of 1 fully paid]		
	908,202,564	1,108,082,482
Aggregate cost of unquoted investment	908,202,564	1,108,082,482
Aggregate cost of quoted investment	-	-
Market value of quoted investment	-	-

11. Deferred tax asset

Significant Components of the Company's Deferred Tax Asset are as follows:

(₹)

Carry forward loss	46,734,916	40,836,058
Others	16,055,175	8,775,824
	62,790,091	49,611,882

The company has created deferred tax asset on carried forward loss of its branch of ₹ 46,734,916 as at 31.03.2012 (₹ 40,836,058) as the company estimates that the branch would make taxable profits in the foreseeable future. Deferred tax asset on carried forward loss of its branch increased by ₹ 5,898,859 (₹ 2,037,757) on account of foreign exchange fluctuation which is recognized in the statement of profit and loss.

12. Long-term loans and advances

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Unsecured (considered good, unless otherwise stated)		
Security deposits	93,334,492	96,850,299
Capital advances	4,000,000	7,268,583
Prepaid expenses	4,370,807	2,487,643
MAT credit entitlement	211,097,539	257,058,300
Profit on forward contracts (Marked-to-market)	-	5,432,839
	312,802,838	369,097,664

13. Current investments

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Non-trade Investments in mutual funds (unquoted)		
Reliance Money Manager Fund ₹ Nil (Previous year - 12,794.803 units at ₹ 1001.3715 per unit)	-	12,812,351
Taurus Liquid Fund 100,036.726 units at ₹ 1000.0905 per unit (Previous year - Nil)	100,045,784	-
Birla Sun Life - Floating Rate fund 1,200,057.009 units at ₹ 100.02 per unit (Previous year - Nil)	120,029,702	-
Birla Sun Life - Liquid Plus ₹ Nil (Previous year - 3,656,396.723 units at ₹ 10.0068 per unit)	-	36,588,831
	220,075,486	49,401,182
Aggregate cost of unquoted investment	220,075,486	49,401,182
Aggregate cost of quoted investment	-	-
Market value of quoted investment	-	-

14. Trade receivables (unsecured)

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Debts outstanding for a period exceeding six months from the date they are due for payment		
Considered good	29,060,900	15,541,459
Considered doubtful	30,801,709	23,392,959
	59,862,609	38,934,418
Other debts : Considered good	644,540,493	684,734,566
Considered doubtful	635,934	-
	645,176,427	684,734,566
	705,039,036	723,668,984
Less: Allowance for bad & doubtful debts	31,437,643	23,392,959
	673,601,393	700,276,025

15. Cash and cash equivalents

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Cash on hand	37,175	214,768
Cheques, drafts on hand	2,085,430	1,244,840
Balances with banks		
In Current accounts	272,793,450	379,569,014
In Deposit accounts	160,000,000	-
In Unclaimed dividend account	8,201,975	7,720,010
	443,118,030	388,748,632

16. Short-term loans and advances

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Unsecured (considered good, unless otherwise stated)		
Security deposits	8,980,140	3,999,390
Employee advances*	28,200,758	39,773,949
Prepaid expenses	26,881,968	36,977,245
Due from related parties		
Inter corporate deposit	180,000,000	194,000,000
Advance payment of taxes (net of provisions)	183,778,309	131,405,293
MAT credit entitlement	51,663,850	23,133,784
Profit on forward contracts (Marked-to-market)	-	25,279,985
Service tax & VAT Input	9,320,097	8,012,631
Other recoverables	11,043,042	4,031,601
	499,868,164	466,613,878

* Advances include due from Directors and other Officer : ₹ Nil.
(previous year : ₹ 82,194)

17. Other current assets

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Income accrued but not due	6,684,102	22,029,681
	6,684,102	22,029,681

18. Short-term borrowings

The working capital facilities of the company are secured by hypothecation of inventories, book debts, moveable assets and receivables both present and future.

19.1 Revenue from operations

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Revenue from services	2,234,017,001	2,502,281,768
Other operating revenues	19,721,145	20,798,029
	2,253,738,146	2,523,079,797

19.2 Other income

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Provision no longer required (net)	19,207,533	1,113,278
Interest income	59,655,404	27,206,265
Dividend income	4,677,526	8,252,940
	83,540,463	36,572,483

20. Employee benefit expenses

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Salaries, wages, bonus and allowances (Including Directors remuneration)	1,517,952,637	1,400,153,195
Contribution to provident fund and other funds	93,551,687	96,404,966
Staff welfare expenses	17,151,457	14,918,034
	1,628,655,781	1,511,476,195
Less: Deputation cost recovered from subsidiary	167,499,422	121,310,317
	1,461,156,359	1,390,165,878

21. Other operating expenses

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Power and fuel	50,878,182	44,348,143
Rent	110,501,055	89,444,591
Repairs to buildings	474,685	1,436,955
Repairs to machinery	8,018,780	6,654,984
Insurance	23,184,759	27,428,952
Rates & taxes (excluding income tax)	4,062,429	686,450
Facility maintenance	35,326,258	31,687,603
Travelling and conveyance expenses	139,163,514	150,048,687
Subsistence / living cost	174,550,511	193,688,817
Legal, professional and technical fees	98,585,543	100,953,745
Sales commission	4,721,353	8,053,073
Communication cost	25,387,455	28,761,703
Net gain / loss on foreign currency transaction and translation	(35,740,965)	(169,555,449)
Net loss on sale of fixed assets	1,315,780	2,551,957
Net loss on sale of investments	-	7,196
Bad debts	-	20,826,445
Less : Allowance for bad and doubtful debts written back	-	20,826,445
Allowance for bad & doubtful debts	5,285,254	5,649,944
Payment to Auditors		
As auditor	500,000	500,000
For other services	340,000	323,000
For reimbursement of expenses	15,554	-
	855,554	823,000
Miscellaneous expenses	74,036,599	71,663,763
	720,606,746	594,334,112
Less: Service charges recovered from subsidiary	155,125,076	163,505,891
	565,481,670	430,828,221

22. Finance costs

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Interest expense	158,268	-
	158,268	-

23. Tax expense

Current tax of ₹ 60,993,394 (₹ 99,674,446) shown under statement of profit and loss for the year ended 31st March, 2012 is net of ₹ 9,942,473 (₹ 4,284,338), being excess tax provided for earlier years reversed.

24. Contingent liabilities

(as certified by the Management)

(₹)

31.03.2012 31.03.2011**a) Claims against the Company not acknowledged as debts**

- 6,970,461

b) Guarantees

- i) The Company has given corporate guarantee to IBM Ltd. on behalf of Sonata Information Technology Limited for a value of ₹ 50,000,000 (₹ 50,000,000).
- ii) The Company has provided an indemnity of US\$ 500,000 (US\$ 500,000) to Standard Chartered Bank, India to cover working capital limits provided by Standard Chartered Bank, Dubai to Sonata Software FZ LLC, Dubai.

c) Contingent Liabilities not provided for:

(₹)

31.03.2012 31.03.2011**A. Disputed Income Tax demands** 975,629,465 456,972,314**(a) Disallowance of claims made under Section 10A of the Income Tax Act, 1961:**

The Company does its business of software export through its multiple operating units or undertakings registered under the Software Technology Parks Scheme of India. In computing taxable profits from the export of software, the Company claims exemptions provided to registered Software Technology Parks undertakings and units as provided under Section 10A of the Income Tax Act, 1961 ("Act").

The Income Tax department has been disallowing Company's claims under Section 10A on the ground that the Company and its units were formed by restructuring of the operations of Futura Polyesters Limited. The Company's contention was that it was formed by a process of de-merger as per the provisions of the Companies Act, 1956 and not through a process of restructuring as contemplated under Section 10A. The Company's contention has been upheld by the Honorable High Court of Mumbai.

The other ground adopted by the Income Tax department in later years to deny Section 10A benefits was that the 'multiple undertakings of the Company operating under the Software Technology Parks Scheme of India were in fact one single undertaking' and so benefit as claimed by the Company for each of the unit or undertaking is not correct.

The Company has challenged all of the above disallowances and consequent demands at appellate levels.

Details of Demands and Forums where they are pending are:

- I. ₹ 113,100,918 for the financial year 2004-2005. The Company has received favorable orders from Commissioner of Income Tax (Appeals). The Department has preferred an appeal on the said order to the Income Tax Appellate Tribunal. However, based on the favorable

orders on 10A issue received from the Honorable High Court of Mumbai, the Company is confident of a positive outcome at the Income Tax Appellate Tribunal. (Previous Year – ₹ Nil).

- II. ₹ 220,166,905 for the financial year 2006-2007. For this year, the Income Tax department has disallowed the Company's 10A claim on the ground that the multiple undertakings of the Company operating were in fact one single undertaking. Further, certain additional disallowances have been made on Income accrued but not billed, depreciation claims, etc. The Company has preferred an appeal to the Commissioner of Income Tax (Appeals) on above order. (Previous Year – ₹ 220,166,905).

- III. ₹ 229,570,226 for financial year 2007-2008. This demand was received during the year. As discussed above for the earlier year the Income Tax department has disallowed the Company's claim under Section 10A of the Act on the ground that the multiple undertakings of the Company operating were in fact one single undertaking. Further, certain additional disallowances have been made on Income accrued but not billed, depreciation claims, etc. The Company has preferred an appeal to the Commissioner of Income Tax. (Appeals) on above order. (Previous Year – ₹ Nil).

(b) Inter-unit set-off of losses :

As discussed in point (a) above, the Company operates multiple operating units and undertakings under the Software Technology Parks Scheme of India. While computing its taxable profits, losses from one undertaking were set off against profits or carried forward to the subsequent financial years by the Company. The Income Tax department has disallowed such carry forward of losses. This position was adopted by the Assessing Officer from the financial year 2005-2006.

Details of Demands and Forums where they are pending are:

- I. ₹ 12,321,813 for financial years of 2002-2003 and 2003-2004. The assessments were re-opened by the Income Tax Officer to make the above demand. The Company has preferred an appeal to the Commissioner of Income Tax (Appeals). (Previous Year – ₹ Nil).
- II. ₹ 11,900,233 for financial years 2004-2005. The assessments were re-opened during the year by the Income Tax Officer to make the above demand. The Company received unfavorable orders on this issue from the Commissioner of Income Tax (Appeals) and has preferred an appeal on the said unfavorable order before Income Tax Appellate Tribunal. (Previous Year – ₹ Nil).

(c) Disallowance of Inter-Company Service Charges :

Sonata Software Limited, the holding company, charges Sonata Information Technology Limited its wholly owned subsidiary for certain support services rendered. During

assessments, the Income Tax department denied Section 10A benefits on such support services and assessed the same as normal business income. The Income Tax department's contention is that such service charges are not eligible for benefits as contemplated under Section 10A.

Details of Demands and Forums where they are pending are:

₹ 96,098,126 for financial years 2001-2002 and 2002-2003. The Company has received favorable orders from Income Tax Appellate Tribunal. The Department has preferred an appeal on the said order before the Honorable High Court of Mumbai, which has been admitted. (Previous year - ₹ Nil)

(d) Withholding tax demand :

The Company, prior to the formation of its wholly owned subsidiary Sonata Information Technology Limited, was engaged in the business of buying and selling packaged software in India. The Income Tax department has been contending that amounts paid by the Company for buying the software products is in the nature of 'royalty' and hence had to withhold Income Tax on the same as per the Act. The Company's contention among others has been that the payments were made for purchase of 'goods' and hence was under no obligation to withhold Income Tax on the same. On this dispute the Company had received favorable orders from the Income Tax Appellate Tribunal which were during the year reversed by the Honorable High Court of Karnataka. The Company has preferred a Special Leave Petition Appeal on the said order to the Honorable Supreme Court of India, which has been admitted.

Details of Demands and the Forums where they are pending are:

₹ 284,187,956 for the financial years 1999-2000, 2000-2001 and 2001-2002. However, for these years one of the principal suppliers of software to the Company has paid ₹ 87,904,913 out of the above demand.

(e) Deductions claimed under Section 80 O :

Prior to the enactment of Section 10A, the Company claimed deduction for exports made, under Section 80 O of the Act. The department has re-opened the assessments and disallowed certain aspects of the claims made on the contention that cost allocation principles followed for the claim are erroneous.

Details of Demands and the Forums where they are pending are:

₹ 8,283,288 for the financial year 1994-1995. The Company has received favorable orders from Income Tax Appellate Tribunal. The Department has preferred an appeal on the said order before the Honorable High Court of Mumbai, which has been admitted. (Previous year – ₹ Nil).

	2011-2012	2010-2011
B. Disputed Service Tax demands	67,653,029	67,653,029

The Company renders Information Technology related services to some of its clients in India. The Service Tax department has classified these services as in the nature of 'Manpower Recruitment or Supply Agency Services' and raised demands for service tax. The Company has contested this re-classification and has preferred an appeal before the Central Excise and Service Tax Appellate Tribunal. One of the clients of the Company has indemnified the Company for any demands that may arise on account of service tax liability upto an amount of ₹ 23,700,000.

	31.03.2012	31.03.2011
C. KVAT from Commercial tax department	-	6,813,800

25. Commitments

A. Capital commitments :	31.03.2012	31.03.2011
Estimated amount of contracts remaining to be executed and not provided (net of advances)	68,119,424	93,591,779

B. Other commitments :
(as certified by the Management)

Forward contracts to sell US \$ outstanding as at 31.03.2012 is ₹ 1,678,622,500 (Previous year ₹ 1,528,493,125), Euros is ₹ 450,490,250 (Previous year ₹ 428,412,500) and GBP is ₹ 547,467,750 (Previous year ₹ 554,925,125)

26. Value of imports calculated on CIF basis

	2011-2012	2010-2011
Capital goods	2,616,977	12,119,744

27. Expenditure incurred in foreign currency on account of:

	2011-2012	2010-2011
Travelling	66,059,963	74,231,944
Subsistence / Living cost	174,550,512	193,688,817
Overseas Salaries	25,971,567	17,633,769
Professional charges	29,786,564	46,280,768
Others	35,407,703	37,625,883
	331,776,309	369,461,181

28. Earnings in foreign exchange

	2011-2012	2010-2011
Software services rendered	2,234,017,001	2,502,281,768
Other income	5,279,531	7,747,959

29. NOTE ON AS 30 ADOPTION

Accounting Standard 30, (AS 30) Financial Instruments: Recognition and Measurement was issued by the Institute of Chartered Accountants of India (ICAI) in December, 2007. AS 30 becomes recommendatory in respect of accounting periods commencing on or after 1st April, 2009 and mandatory in respect of accounting periods commencing on or after 1st April, 2011. ICAI has announced that the earlier

adoption of AS 30 is encouraged. From the accounting year 2008-09, the Company has early adopted Accounting Standard 30 (AS 30) "Financial Instruments: Recognition and Measurement".

From the year 2008-09 the Company applied the recognition and measurement principles as set out in AS 30 in accounting derivatives. Changes in fair values of derivative financial instruments designated as effective cash flow hedges were recognized directly into Hedging Reserve in the Balance Sheet under Reserves and Surplus and later reclassified into Statement of Profit and Loss upon the occurrence of the forecasted hedged transaction. Changes in the fair value of ineffective cash flow hedges are recognized in the Statement of Profit and Loss as they arise.

As at 31st March, 2012, the Company recognized ₹ 178,722,709 (Previous year ₹ 30,712,825) into "Hedging Reserve" due to changes in fair value of the effective cash flow hedges.

30. Related party transactions:

(as certified by the Management)

- a) The list of related parties and nature of their relationship as stated below:

I. KEY MANAGERIAL PERSONS AND OTHER DIRECTORS DURING 2011-2012

1. B Ramaswamy, Vice Chairman & Managing Director until 16 th August, 2011	6. S. B. Ghia, Director
2. Sanjay Viswanathan, MD & CEO from 17 th August, 2011 to 14 th February, 2012	7. Viren Raheja, Director
3. Srikar Reddy, JMD & COO till 14 th February, 2012 and MD & CEO from 14 th February, 2012 onwards	8. S. N. Talwar, Director
4. M.D. Dalal, Executive Vice Chairman	9. B. K. Syngal, Director
5. Pradip P Shah, Chairman	

II. OTHER RELATED PARTIES & NATURE OF RELATIONSHIP AS ON 31.03.2012

	List of related parties	Nature of Relationship
S.B. Ghia, Director	Bhupati Investments & Finance Pvt. Ltd.	Significant Influence (through VIPL); Spouse Mrs. R. S. Ghia as Chairperson and brother's wife Mrs. V. D. Ghia as Director
	Chika Pvt. Limited	Son Mr. N. S. Ghia as Chairman
	Viraj Investments Pvt. Ltd. (VIPL)	Son as Chairman and Spouse, Brother's wife are Directors
M.D. Dalal, Executive Vice Chairman	Daltreya Investment & Finance Pvt. Ltd.	Spouse & Sister are Directors
Viren Raheja, Director	Rajan B Raheja	Father
	Suman R Raheja	Mother
	Akshay R Raheja	Brother
	Excelsior Construction Pvt. Ltd.	100% shareholding by Mr. Rajan B Raheja & his family
	Gstaad Investments & Finance Pvt. Ltd.	100% shareholding by Mr. Rajan B Raheja & his family
	Trophy Investments & Finance Pvt. Ltd.	100% shareholding by Mr. Rajan B Raheja & his family
P. Srikar Reddy, Managing Director & CEO	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Member of Supervisory Board
	Sonata Software FZ LLC, Dubai	Director
Subsidiaries	Sonata Information Technology Ltd.	Wholly owned subsidiary of Sonata
	Sonata Software FZ LLC, Dubai	Wholly owned subsidiary of Sonata
	Sonata Software North America Inc., USA	Wholly owned subsidiary of Sonata
	Sonata Software GmbH, Germany	Wholly owned subsidiary of Sonata
	Sonata Europe Ltd., UK	Wholly owned subsidiary of Sonata
	TUI InfoTec GmbH, Germany	Subsidiary of Sonata
	Sonata Software (Qatar) LLC	Subsidiary of Sonata

Note : Above disclosures have been made by the Directors pursuant to the legal opinion from M/s Kanga & Co, Solicitors.

- b) Transactions with related parties are as under:

Remuneration of Directors & Key Managerial Persons

(₹)

Name	Salaries *	Commission provided during the year	Total
P Srikar Reddy	10,599,933 (7,110,039)	1,067,824 (3,423,662)	11,667,757 (10,533,701)
Sanjay Viswanathan #	5,899,072 (-)	- (-)	5,899,072 (-)
B Ramaswamy #	6,172,981 (9,733,641)	800,868 (6,847,324)	6,973,849 (16,580,965)
M D Dalal		704,763 (2,259,617)	704,763 (2,259,617)
S B Ghia		467,545 (1,369,465)	467,545 (1,369,465)
Viren Raheja		467,545 (1,369,465)	467,545 (1,369,465)
Pradip P Shah		467,545 (1,369,465)	467,545 (1,369,465)
S N Talwar		467,545 (1,369,465)	467,545 (1,369,465)
B K Syngal		467,545 (1,369,465)	467,545 (1,369,465)

* Salaries include taxable value of perquisites

Employed part of the year

Other Related Party Transactions:

Sonata Information Technology Limited (SITL) is a Company incorporated in India. SITL is a wholly owned subsidiary of SSL and both the Companies have three common directors. Amounts included in the financial statements of the Company are in relation to administrative services, normal business transactions with SITL, as given below:

(₹)

	Balance as on 01.04.2011	Transaction during the year	Amount received / paid during the year	Balance as on 31.03.2012
Purchase	- (-)	17,106,219 (13,564,970)	17,106,219 (13,564,970)	- (-)
Deputation Expenses	32,926,329 (13,568,370)	174,456,937 (121,310,317)	188,919,900 (101,952,358)	18,463,366 (32,926,329)
Service Charges	41,922,159 (-)	155,125,076 (163,505,891)	177,367,043 (121,583,732)	19,680,192 (41,922,159)
Inter-corporate deposit given	194,000,000 (165,000,000)	2,030,800,000 (1,489,000,000)	2,044,800,000 (1,460,000,000)	180,000,000 (194,000,000)
Interest on Inter-corporate deposit given	- (-)	57,932,812 (21,925,636)	52,109,716 (21,925,636)	58,23,096 (-)
Others	16,294,325 (1,579,235)	17,660,732 (293,708,442)	31,918,746 (278,993,352)	2,036,311 (16,294,325)

- a) The Company has given corporate guarantee to IBM Ltd. on behalf of Sonata Information Technology Limited for a value of ₹ 50,000,000 (₹ 50,000,000).
- b) The Company had given corporate guarantee to Axis Bank on behalf Sonata Information Technology Limited for a value of ₹ 900,000,000 (₹ 900,000,000) which was valid upto 29.02.2012.

Sonata Software North America Inc., a company incorporated in California, United States of America, which is engaged in the development of computer software and marketing. Sonata holds 100% of the equity of Sonata Software North America Inc. Under an agreement with Sonata Software North America Inc, Sonata shall develop computer programs. Sonata has necessary skills and capabilities to meet the Sonata Software North America Inc software development requirements from its off-shore development center in India. Transactions with the Company included in the financial statements as on 31st March, 2012 are as follows :

(₹)

Particulars	Opening balance as at 01.04.2011	Transaction during the year	Amount received / paid / adjusted during the year	Closing balance as at 31.03.2012
Receivable	287,349,643 (239,155,150)	980,414,308 (902,860,838)	923,377,973 (854,666,345)	344,385,978 (287,349,643)
Living / Subsistence allowance payable	5,082,532 (4,814,735)	58,032,847 (70,334,592)	59,812,853 (70,066,795)	3,302,526 (5,082,532)
Travelling Expenses	- (782,580)	831,872 (3,199,127)	831,872 (3,981,707)	- (-)
Assets Purchased	- (55,570)	42,810 (-)	42,810 (55,570)	- (-)
Others	2,677,753 (5,352,128)	2,715,784 (18,288,434)	5,393,537 (20,962,809)	- (2,677,753)

Sonata Software GmbH, a company incorporated in Germany, which is engaged in development of computer programming services. Sonata holds 100% equity in Sonata GmbH. Transactions with the Company included in the financial statements as on 31st March, 2012 are as follows:

(₹)

Particulars	Opening balance as at 01.04.2011	Transaction during the year	Amount received / paid / adjusted during the year	Closing balance as at 31.03.2012
Receivable	9,783,199 (11,835,193)	28,519,377 (35,103,688)	28,859,524 (37,155,682)	9,443,052 (9,783,199)
Reimbursement of expenses	1,323,315 (361,018)	2,798,865 (1,792,860)	2,792,206 (830,563)	1,329,974 (1,323,315)

Sonata Europe Limited, a company incorporated under the Registrar of Companies, England and Wales, United Kingdom, which is engaged in software development services. Sonata

holds 100% equity in Sonata Europe Limited. Transactions with the company included in the financial statements as on 31st March, 2012 are as follows:

(₹)

Particulars	Opening balance As at 01.04.2011	Transaction during the year	Amount received / paid during the year	Closing balance As at 31.03.2012
Receivable	386,194 (8,479,263)	15,203,920 (2,639,096)	9,227,350 (10,732,165)	6,362,764 (386,194)
Reimbursement of expenses	- (-)	- (270,280)	- (270,280)	- (-)
Redemption of Preference shares	- (-)	186,483,136 (-)	186,483,136 (-)	- (-)

TUI InfoTec GmbH, a company incorporated in Germany which is engaged in software development and infrastructure Management. Sonata holds 50.1% equity in TUI InfoTec. Transactions with the Company included in the financial statements as on 31st March, 2012 are as follows:

(₹)

Particulars	Opening balance As at 01.04.2011	Transaction during the year	Amount received / paid during the year	Closing balance As at 31.03.2012
Receivable	13,176,100 (14,423,614)	263,611,015 (247,045,878)	242,870,046 (248,293,392)	33,917,069 (13,176,100)
Others	496,057 (569,395)	1,690,561 (1,963,405)	1,965,943 (2,036,743)	220,675 (496,057)

Sonata Software FZ LLC, a company incorporated under the Registrar of Companies, The Dubai Technology and Media Free Zone Authority, Dubai, which is engaged in software development services. Sonata holds 100% equity in Sonata Software FZ LLC. Transactions with the Company included in the financial statements as on 31st March, 2012 are as follows:

(₹)

Particulars	Opening balance as at 01.04.2011	Transactions during the year	Amount received (paid) / adjusted during the year	Closing balance as at 31.03.2012
Receivable	66,918,619 (50,759,841)	80,908,652 (105,502,208)	94,724,600 (89,343,430)	53,102,671 (66,918,619)
Reimbursement of Expenses	7,591,630 (2,301,596)	7,437,549 (9,141,773)	9,153,017 (3,851,739)	5,876,162 (7,591,630)

The Company has provided an indemnity of US\$ 500,000 to Standard Chartered Bank, India to cover working capital limits provided by Standard Chartered Bank, Dubai to Sonata Software FZ LLC, Dubai.

Sonata Software (Qatar), a company incorporated on 7th June, 2011 under the Qatar Chamber of Commerce and Industry in Doha, Qatar which is engaged in software development

services. Sonata holds 49% equity in Sonata Software (Qatar) and the control & Management of the company lies with Sonata. Transactions with the Company included in the financial statements as on 31st March, 2012 as follows:

(₹)

Particulars	Opening balance As at 01.04.2011	Transaction during the year	Amount received / paid during the year	Closing balance As at 31.03.2012
Reimbursement of Expenses	-	1,679,447	-	1,679,447

31. Employee benefits

- (a) **Gratuity** : Defined benefit plan (Funded) - As per actuarial valuation as on 31st March, 2012

(₹)

	31.03.2012	31.03.2011
I Change in Obligation during the year ended March 31, 2012		
1 Present value of Defined Benefit Obligation at beginning of the year	91,571,625	69,289,040
2 Current Service Cost	13,881,426	10,243,981
3 Interest Cost	7,554,659	5,716,346
4 Actuarial (Gains) / Losses	(2,615,546)	16,312,459
5 Benefits Paid	(25,539,657)	(9,990,201)
6 Present value of Defined Benefit Obligation at the end of the year	84,852,507	91,571,625
II Change in Assets during the year ended March 31, 2012		
1 Plan assets at the beginning of the year	92,154,761	83,409,111
2 Actual Benefits Paid	(25,539,657)	(9,990,201)
3 Expected return on plan assets	7,372,381	6,672,729
4 Contributions by Employer	12,811,751	13,743,153
5 Actuarial Gains / (Losses)	(4,130,842)	(1,680,031)
6 Plan Assets at the end of the year	82,668,394	92,154,761
III Net Asset / (Liability) recognized in the Balance Sheet as at March 31, 2012		
1 Present Value of Defined Benefit Obligation as at March 31, 2012	84,852,507	(91,571,625)
2 Fair value of plan assets as at March 31, 2012	82,668,394	92,154,761
3 Fund status Surplus / (Deficit)	(2,184,113)	583,136
4 Net Assets / (Liability) as at March 31, 2012	(2,184,113)	583,136
IV Expenses recognized in the statement of Profit & Loss for the year ended March 31, 2012		
1 Current Service Cost	13,881,426	10,243,981
2 Interest Cost	7,554,659	5,716,346
3 Expected return on plan assets	(7,372,381)	(6,672,729)
4 Net Actuarial (Gains) / Losses	1,515,296	17,992,490
5 Total Expense*	15,579,000	27,280,088
V The major categories of plan assets as a percentage of total plan		
Insurer Managed Funds	100%	100%
VI Actuarial Assumptions:		
1 Discount Rate	8.50%	8.25%
2 Rate of return on plan assets	8.60%	8%
3 Mortality Table	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
4 Retirement Age	60 Years	60 Years

* Amount recognized as an expense and included in Note 20 under "Contribution to provident fund and other funds".

- (b) **Provident Fund** : The Guidance issued by the Accounting Standard Board (ASB) on implementing AS-15, Employee benefits (revised 2005) states that provident funds set up by employers which requires interest short fall to be met by the employer, needs to be treated as defined benefit plan.

The Actuarial Society of India has issued Guidance Note for the measurement of Provident Fund (PF) liabilities during the year. The Company's actuary has accordingly provided valuation confirming that there is no liability for shortfall in the PF interest earning for the year.

- (c) **Basis used to determine expected rate of return on assets** :

The expected return on planned assets is based on market expectation at the beginning of the period for returns over the entire life of the related obligation. The Gratuity Scheme is invested in Group Gratuity Scheme with HDFC Standard Life Insurance Company Limited. The expected return on assets assumption is taken based on current market yield.

- (d) The estimates of future salary increases, considered in actuarial valuation, take into account of inflation, seniority promotion and other relevant factors, such as supply and demand in the employment market.

- (e) Amounts for the current annual period and previous three annual periods are as follows:

(₹)

	31.03.2012	31.03.2011	31.03.2010	31.03.2009
Present value of Defined benefit obligation	84,852,507	91,571,625	69,289,040	64,955,440
Fair Value of Plan Assets	82,668,394	92,154,761	83,409,111	66,508,077
Surplus / (Deficit)	(2,184,113)	583,136	14,120,071	1,552,637

- (f) Estimated Contribution for the next year on account of gratuity is ₹ 15,644,802 (11,145,118).
- (g) Contribution / Provisions to superannuation, Pension and other funds stated under defined contribution plan is ₹ 37,333,090 (₹ 35,230,035).

- 32.** There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small, Medium Enterprises Development Act, 2006 to whom the company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made.

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the auditors.

33. Dividend remittance in foreign currency

(₹)

Particulars	2011-2012		2010-2011	
	Interim	Final	Interim	Final
Amount remitted (Net)	615,519	1,130,543	764,307	649,652
Number of Non-resident Shareholders	494	467	430	456
Number of shares on which remittance was made	1,231,038	1,130,543	764,307	812,061
Year for which the Dividend was paid	2011-2012	2010-2011	2010-2011	2009-2010

34. Earnings per share

(₹)

Particulars	2011-2012	2010-2011
Profit attributable to equity shareholders	149,058,495	618,620,494
Weighted average number of Equity Shares of ₹ 1/- each (No. of Shares)	105,159,306	105,159,306
Earnings Per Share – basic & diluted	1.42	5.88

35. Operating leases

The Company has various operating leases for office facilities and residential premises for employees that are renewable on a yearly basis, and cancelable at its option. Rental expenses for operating leases included in the statement of profit and loss for the year is ₹ 110,190,019 (₹ 88,731,842).

As of 31st March, 2012 future minimum lease payments under non-cancellable operating leases are provided below:

(₹)

Not later than one year	36,912,694
Later than one year and not later than 5 years	22,310,384
Later than 5 years	-

36. Previous year's figures are shown in brackets and have been regrouped, whenever necessary to confirm to current year's classification.

As per our Report annexed**For and on behalf of the Board of Directors**For **N M RAJI & Co.**

Chartered Accountants

CA. Y N THAKKAR

Partner

Membership No.: 33329

PRADIP P SHAH

Chairman

P SRIKAR REDDYManaging Director
& CEO**S B GHIA**

Director

VIREN RAHEJA

Director

S N TALWAR

Director

VENKATRAMAN NARAYANAN

CFO

R SATHYANARAYANA

AVP - Finance & Accounts

PRIYA MANOJ JASWANI

Company Secretary

Mumbai, 24th May, 2012

Sonata Software Limited

CASH FLOW STATEMENT

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	202,772,538	642,821,216
Adjustments for :		
Depreciation	107,709,774	95,836,964
Interest income	(57,932,812)	(21,925,636)
Interest expense	158,268	-
Allowance for bad & doubtful debts	5,285,254	5,649,944
Provision no longer required (net)	(19,207,533)	(1,113,279)
Advances written off	475,613	1,856,653
Dividend income	(4,677,526)	(8,252,940)
(Profit) / Loss on sale of fixed assets	1,315,780	2,551,958
Foreign exchange Loss on sale of investments	14,639,422	-
Operating Profit before Working Capital Changes	250,538,778	717,424,880
Adjustments for :		
Decrease / (Increase) in trade receivables	27,212,474	(129,721,592)
Decrease / (Increase) in other current assets	15,345,579	3,883,496
Decrease / (Increase) in long-term loans and advances	42,641,006	(280,655,949)
Decrease / (Increase) in short-term loans and advances	(13,274,482)	203,641,260
(Decrease) / Increase in trade payables	754,685	(6,904,878)
(Decrease) / Increase in other long-term liabilities	17,533,992	(17,533,989)
(Decrease) / Increase in other current liabilities	110,663,570	234,410,071
(Decrease) / Increase in long-term provisions	4,281,033	(6,417,485)
(Decrease) / Increase in short-term provisions	(71,714,621)	7,020,565
(Decrease) / Increase in hedging reserve	(209,435,534)	(156,408,302)
Cash generated from operations	174,546,480	568,738,077
Direct taxes / advance tax paid (net)	(87,693,846)	(116,870,842)
Net Cash from Operating Activities	(A) 86,852,634	451,867,235
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets, including intangible assets, CWIP and capital advances	(58,160,554)	(133,828,793)
Proceeds from sale of fixed assets	1,109,575	508,144
Proceeds of current investments (net)	(170,674,305)	40,598,818
Redemption of Investment in subsidiary	186,483,136	-
Interest received	52,109,716	21,925,636
Dividend received	4,677,526	8,252,940
Investments in subsidiary	(1,242,640)	-
Inter corporate deposit to subsidiary (net)	14,000,000	(29,000,000)
Net Cash from Investing Activities	(B) 28,302,454	(91,543,255)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid on equity shares	(52,097,688)	(188,345,698)
Dividend taxes paid on equity shares	(8,529,734)	(31,438,636)
Interest expense	(158,268)	-
Net Cash from Financing Activities	(C) (60,785,690)	(219,784,334)
Net Increase / (Decrease) in Cash and Cash Equivalents	(A+B+C) 54,369,398	140,539,646
Opening Cash and Cash Equivalents	388,748,632	248,208,986
Closing Cash and Cash Equivalents	443,118,030	388,748,632

Notes :

1. Cash and Cash Equivalents:
Cash and Cash Equivalents consists of cash on hand and balances with banks. Cash and Cash Equivalents. included in the Cash Flow Statement comprise of the following Balance Sheet Amounts.

	(₹)	
	YEAR ENDED	YEAR ENDED
	31.03.2012	31.03.2011
Cash on hand and balance with banks	443,173,391	386,222,993
Cash and Cash Equivalents	443,173,391	386,222,993
Effect of exchange rate change Gain / (Loss)	(55,361)	2,525,639
Cash and Cash Equivalents as restated	443,118,030	388,748,632

2. The Company has undrawn borrowing facilities of ₹ 76,680,000.
3. Previous year figures have been regrouped wherever necessary to confirm to current year classification.

As per our Report annexed**For and on behalf of the Board of Directors**

For **N M RAIJI & Co.**
Chartered Accountants

CA. Y N THAKKAR
Partner
Membership No.: 33329

PRADIP P SHAH
Chairman

P SRIKAR REDDY
Managing Director
& CEO

S B GHIA
Director

VIREN RAHEJA
Director

S N TALWAR
Director

VENKATRAMAN NARAYANAN
CFO

R SATHYANARAYANA
AVP - Finance & Accounts

PRIYA MANOJ JASWANI
Company Secretary

Mumbai, 24th May, 2012

Sonata Software Limited

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

1.	Name of the subsidiary	Sonata Information Technology Limited	Sonata Software North America, Inc.*	Sonata Software Qatar LLC	Sonata Software FZ LLC	Sonata Software GmbH	Sonata Europe Limited	TUI InfoTec GmbH
2.	Financial year ended	31 st March, 2012	31 st March, 2012	31 st March, 2012	31 st March, 2012	31 st March, 2012	31 st March, 2012	31 st March, 2012
3.	Holding company's interest	100% in Equity Share Capital	100% in Equity Share Capital	49% in Equity Share Capital	100% in Equity Share Capital	100% in Equity Share Capital	100% in Equity Share Capital	50.10% in Equity Share Capital
4.	Shares held by the holding company in the subsidiary	3,375, 394 shares of ₹ 10/- each	300,000 shares of 1 USD each	98 shares of 1000 QAR each	500 shares of 1000 AED each	2 shares of EURO 12,500 each	671,700 shares of 1 Pound each	1 share of Euro 501,000
5.	The net aggregate of profits or losses for the above financial year of the subsidiary so far as it concerns the members of the holding company a. dealt with or provided for in the accounts of the holding company b. not dealt with or provided for in the accounts of the holding company	Nil Loss: (₹ 97,384,338)	Nil Profit: USD 364,533	Nil Loss: USD 60,854	Nil Profit: USD 115,413	Nil Profit : EURO 85,295	Nil Loss: GBP 186,344	Nil Loss: EURO 2,246,848
6.	The net aggregate of profits or losses for the previous financial years of the subsidiary so far as it concerns the members of the holding company a. dealt with or provided for in the accounts of the holding company b. not dealt with or provided for in the accounts of the holding company	Nil Profit: ₹ 386,053,650	Nil Loss: USD 2,152,634	Nil	Nil Profit: USD 325,339	Nil Profit: EURO 220,693	Nil Profit : GBP 5,787,613	Nil Profit : EURO 2,090,675

* (Formerly known as Offshore Digital Services Inc.)

For and on behalf of the Board of Directors

PRADIP P SHAH
Chairman

P SRIKAR REDDY
Managing Director
& CEO

S B GHIA
Director

VIREN RAHEJA
Director

S N TALWAR
Director

VENKATRAMAN NARAYANAN
CFO

R SATHYANARAYANA
AVP - Finance & Accounts

PRIYA MANOJ JASWANI
Company Secretary

Mumbai, 24th May, 2012

Sonata Software Limited – Consolidated Financial Statement

Auditor's Report to the Board of Directors of Sonata Software Limited on the Consolidated Financial Statements of Sonata Software Limited and its Subsidiaries

We have audited the attached Consolidated Balance Sheet of Sonata Software Limited and its subsidiaries as at 31st March, 2012 and also the Consolidated Statement of Profit and Loss annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date.

These financial statements are the responsibility of Sonata Software Limited's Management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of USD 77,559,611 as at 31st March, 2012 and total revenues of USD 147,615,068 for the year ended 31st March, 2012. These financial statements have been audited by other auditors except for Sonata Software GmbH whose financial statements have been reviewed by their auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS 21) Consolidated Financial Statements

prescribed by the Companies (Accounting Standard) Rules 2006 and on the basis of the separate audited financial statements of Sonata Software Limited and its subsidiaries included in the consolidated financial statements except for Sonata Software GmbH whose financial statements have been reviewed by their auditors.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual financial statements of Sonata Software Limited and its subsidiaries we are of the opinion that the said Consolidated Balance Sheet along with Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement read together with the notes thereon gives a true and fair view;

- a. in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of Sonata Software Limited and its subsidiaries as at 31st March, 2012;
- b. in the case of Consolidated Statement of Profit and Loss, of the consolidated loss of Sonata Software Limited and its subsidiaries for the year ended on that date; and
- c. in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Sonata Software Limited and its subsidiaries for the year ended on that date.

For **N M Raiji & Co.**
Chartered Accountants
Registration No.: 108296W

CA. Y N Thakkar
Partner
Membership No.: 33329

Place : Mumbai
Date : 24th May, 2012

Sonata Software Limited - Consolidated Financial Statement

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2012

(₹)

	Note	AS AT 31.03.2012	AS AT 31.03.2011
EQUITY AND LIABILITIES			
Share capital	1	105,159,306	105,159,306
Reserves and surplus	2	3,640,156,223	3,967,154,497
		3,745,315,529	4,072,313,803
MINORITY INTEREST			
		51,785,537	182,603,296
NON-CURRENT LIABILITIES			
Long-term borrowings	3	37,526,259	-
Other long-term liabilities	4	225,708,597	69,654,943
Long-term provisions	5	922,842,043	752,299,735
		1,186,076,899	821,954,678
CURRENT LIABILITIES			
Short-term borrowings	6	374,738,058	307,646,720
Trade payables		1,422,713,176	929,426,352
Other current liabilities	7	1,198,622,340	1,113,075,456
Short-term provisions	8	47,732,451	136,401,472
		3,043,806,025	2,486,550,000
TOTAL		8,026,983,990	7,563,421,777
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	9	719,801,976	613,598,704
Intangible assets	10	1,159,237,425	1,042,225,034
Capital work-in-progress		20,432,890	30,088,626
		1,899,472,291	1,685,912,364
Non-current investments	11	21,417,598	16,038,929
Deferred tax asset	12	109,211,000	166,579,270
Long-term loans and advances	13	331,836,300	453,586,858
Other non-current assets	14	28,222,928	-
		2,390,160,117	2,322,117,421
CURRENT ASSETS			
Current investments	15	220,075,486	175,802,901
Inventories	16	404,057,589	101,845,657
Trade receivables	17	1,992,941,843	2,043,731,826
Cash and cash equivalents	18	1,217,306,945	1,492,908,006
Short-term loans and advances	19	1,706,084,731	1,320,887,513
Other current assets	20	96,357,279	106,128,453
		5,636,823,873	5,241,304,356
TOTAL		8,026,983,990	7,563,421,777

Significant accounting policies and notes on accounts

1 - 37

As per our Report annexed

For and on behalf of the Board of Directors

For **N M RAIJI & Co.**

Chartered Accountants

CA. Y N THAKKAR

Partner

Membership No.: 33329

PRADIP P SHAH

Chairman

VIREN RAHEJA

Director

R SATHYANARAYANA

AVP - Finance & Accounts

P SRIKAR REDDY

Managing Director
& CEO

S N TALWAR

Director

PRIYA MANOJ JASWANI

Company Secretary

S B GHIA

Director

VENKATRAMAN NARAYANAN

CFO

Mumbai, 24th May, 2012

Sonata Software Limited – Consolidated Financial Statement

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 ST MARCH, 2012				(₹)
	Note	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011	
INCOME				
Revenue from operations	21.1	15,679,990,606	14,047,982,295	
Other income	21.2	95,975,736	61,503,156	
Total Income		15,775,966,342	14,109,485,451	
EXPENDITURE				
Purchase of traded items		7,702,428,339	5,286,130,941	
Employee benefits expenses	22	4,677,425,614	4,180,917,207	
Other operating expenses	23	3,200,307,462	3,015,498,458	
Total		15,580,161,415	12,482,546,606	
Add / (Less) : (Increase) / Decrease in inventories	24	(302,211,932)	45,431,920	
		15,277,949,483	12,527,978,526	
Earnings before interest, tax, depreciation and amortaization (EBITDA)		498,016,859	1,581,506,925	
Finance costs	25	118,086,296	67,483,965	
Depreciation		459,067,059	386,908,953	
		577,153,355	454,392,918	
Profit / (Loss) Before Tax		(79,136,496)	1,127,114,007	
Tax expense				
Current tax	26	24,743,366	245,969,072	
MAT credit		-	(82,804,684)	
Net current tax		24,743,366	163,164,388	
Deferred tax		69,426,617	3,953,873	
Total Tax Expense		94,169,983	167,118,261	
Profit / (Loss) After Tax before minority interest / share of earning in affiliates		(173,306,479)	959,995,746	
Share in earning of affiliates		23,244,550	4,039,786	
Minority interest		124,163,268	(107,939,173)	
Profit / (Loss) After Tax after minority interest / share of earning in affiliates		(25,898,661)	856,096,359	
EPS - Basic (on ₹ 1 per share)		(0.25)	8.14	
EPS - Diluted (on ₹ 1 per share)		(0.25)	8.14	
Significant accounting policies and notes on accounts	1-37			

As per our Report annexed For and on behalf of the Board of Directors

For **N M RAIJI & Co.**
Chartered Accountants

CA. Y N THAKKAR
Partner
Membership No.: 33329

PRADIP P SHAH
Chairman

P SRIKAR REDDY
Managing Director
& CEO

S B GHIA
Director

VIREN RAHEJA
Director

S N TALWAR
Director

VENKATRAMAN NARAYANAN
CFO

R SATHYANARAYANA
AVP - Finance & Accounts

PRIYA MANOJ JASWANI
Company Secretary

Mumbai, 24th May, 2012

Sonata Software Limited – Consolidated Financial Statement

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Overview

The Consolidated financials of Sonata Software Limited is made up of the Sonata Software Limited ("Sonata or the Company") together with its subsidiaries Sonata Information Technology Limited, Sonata Software North America Inc, Sonata Software GmbH, Sonata Europe Limited, Sonata Software FZ LLC, Sonata Software Qatar LLC & TUI InfoTec GmbH. Sonata has its Registered Office at Mumbai, India and operationally headquartered at Bangalore, India. Sonata is listed on the National Stock Exchange Limited and Bombay Stock Exchange Limited. The Company is engaged in the business of providing Information Technology Solutions and software development services to its customers. Material subsidiaries of the Company are:

- Sonata Information Technology Limited, in India through which it delivers both software development and consulting services and also re-selling of product licenses of leading international software companies such as Microsoft, IBM, Oracle etc.;
- Sonata Software North America Inc., in USA through which it delivers software development and consulting services to its clients in North America;
- TUI InfoTec GmbH, Hannover, Germany, which is a 50.1% Joint Venture between Sonata and the TUI Group, Europe, which is primarily engaged in the business of providing Information Technology Services and IT Infrastructure support services in the German market and largely to the TUI Group.

Basis of preparing the Financial Statements:

The accompanying financial statements for the period beginning on 1st April, 2011 and ending on 31st March, 2012 have been prepared incorporating accounting policies of the parent company under the historical cost convention, in compliance with Indian Generally Accepted Accounting Practices ("GAAP") comprising of accounting standards as notified by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. All amounts unless otherwise specified are in Indian Rupees.

Use of Estimates:

The consolidated financial statements include the accounts of the Company and its subsidiary companies. The preparation of consolidated financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenditures and disclosure of contingent liabilities. Although these estimates are based on the Management's best knowledge of current events and the actions that the Company may undertake in future, the actual result may ultimately differ from the estimates.

Reinstatement of Financial Statements:

Transactions arising in foreign currency are reported at rates

closely approximating those ruling during the relevant transaction dates. All monetary assets and liabilities in foreign currency as at the date of the financial statements are restated at the exchange rates prevalent as at the Balance Sheet date.

The reporting currency of the Company and its Indian subsidiary is the Indian rupee. The reporting currency of the Company's foreign subsidiaries is US Dollars, Euro and GB Pounds. The Revenue items of the foreign subsidiaries are translated to Indian rupees using daily and quarterly average rates. Non-monetary items in the Balance Sheet of foreign subsidiaries are translated at the rates closely approximating those ruling during the relevant transaction dates.

Goodwill:

Goodwill resulting from acquiring the control of its subsidiary, Sonata Software North America Inc, is amortized over a period of five years effective 1st April, 2002.

Goodwill resulting from acquisition of Sonata Software GmbH, Germany, is amortized over a period of five years effective 1st April, 2005.

Goodwill resulting from acquisition of TUI InfoTec GmbH, Germany is not amortized.

Minority Interest

Minority interest shown in the Balance Sheet represents the share of equity and share profits attributable to the minority share holders of TUI InfoTec GmbH, Germany and Sonata Software Qatar LLC.

Investments in TUI InfoTec Associate Companies

Investments in Associate Companies represent investments of TUI InfoTec in its associates and the same has been accounted under the equity method. The financial statements of the associate companies used in the consolidation are based on the latest available financial statements (31.12.11). The Associates of TUI InfoTec and the ownership interest are as follows:

Name of the Company	% Share held	Original Cost of Investment	Accumulated Profit / (Loss) / adjustment	Carrying amount of Investments as at 31.03.2012
Accon-RVS Accounting GmbH *	50%	37,939,268 (37,939,268)	-21,841,878 (-25,405,868)	16,097,390 (12,533,400)
BOSYS Software GmbH**	25.2%	6,631,984 (6,631,984)	-2,527,066 (11,808,066)	4,104,918 (18,440,050)
Total		44,571,252 (44,571,252)	-24,368,944 (-13,597,802)	20,202,308 (30,973,450)

* Investment held by TUI InfoTec GmbH.

** Investment held by subsidiary of TUI InfoTec GmbH namely Travel BA Sys.

Sonata Software Limited – Consolidated Financial Statement

Notes (Contd.)

Investment in TUI InfoTec Group Undertaking

On the Balance Sheet date TUI InfoTec holds 79% share in Travel BA Sys Beteiligungs GmbH, Mulheim an der Ruhr. The financials of Travel BA Sys has not been considered for consolidation by TUI InfoTec group in view of the fact that the financials of Travel BA Sys GmbH is of minor importance for the factual presentation of net assets, financial and earnings position of TUI InfoTec group.

1. Share capital

Break-up of equity share

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Authorized 150,000,000 equity shares of face value ₹ 1/- each	150,000,000	150,000,000
Issued 105,159,306 equity shares of face value ₹ 1/- each	105,159,306	105,159,306
Subscribed and paid-up 105,159,306 equity shares of face value ₹ 1/- each fully paid-up	105,159,306	105,159,306

2. Reserves and surplus

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Capital Redemption Reserve* Opening balance	26,253,060	26,253,060
Addition during the year	186,700,830	-
	212,953,890	26,253,060
Securities premium reserve General reserve Balance as per last financial statements	450,924,411	450,924,411
Add: Transfer from surplus	618,154,246	548,154,246
	15,000,000	70,000,000
	633,154,246	618,154,246
Hedging reserve Balance brought forward	30,712,825	177,825,246
Additions/Deletions during the year (net)	(209,435,534)	(147,112,421)
	(178,722,709)	30,712,825
Surplus opening balance	2,841,109,955	2,330,562,040
Add: Net profit / (loss) after tax transferred from statement of profit and loss	(25,898,661)	856,096,359
Less: Appropriations Transferred to Capital Redemption Reserve	186,700,830	-
Proposed dividend	26,289,827	105,159,306
Interim dividend	52,579,653	105,159,306
Provision for dividend distribution tax	12,794,599	34,525,377
Transfer to general reserve	15,000,000	70,000,000
	2,521,846,385	2,871,814,410
Less: Transitional Pension Provision of TUI InfoTec	-	(30,629,156)
Adjustment in Reserves of TUI InfoTec GmbH	-	(75,299)
	2,521,846,385	2,841,109,955
	3,640,156,223	3,967,154,497

*(Capital redemption reserve created on account of buyback of shares held by Sonata Software Limited in its wholly owned subsidiary Sonata Information Technology Limited and redemption of preference shares of Sonata Europe Limited).

3. Long-term borrowings

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Long-term maturities of finance lease obligations	37,526,259	-
	37,526,259	-

TUI InfoTec GmbH has acquired assets on three finance leases, which are secured by hypothecation of such assets, the details are as below :

- Two lease agreements are with IBM which has a monthly installment of ₹1,067,931 (€ 15,728) and are maturing by December 2014.
- Lease agreement with Deutsche Bank leasing which has a monthly installment of ₹ 686,401 (€ 10,109) and is maturing by January 2014.

4. Other long-term liabilities

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Trade payables	109,026,466	-
Loss on forward contracts (Marked-to-market)	17,533,992	-
Others	99,148,139	69,654,943
	225,708,597	69,654,943

5. Long-term provisions

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Provision for employee benefits Leave benefits	14,537,918	10,143,067
Pension	908,304,125	742,156,668
	922,842,043	752,299,735

6. Short-term borrowings

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
From banks Standard Chartered Bank	-	117,646,720
CITI Bank	-	100,000,000
BNP Paribas	-	50,000,000
Axis Bank	-	40,000,000
ING Vysya Bank	306,838,058	-
From Others	67,900,000	-
	374,738,058	307,646,720

- Short-term borrowings from banks represent the working capital facility of the Company which is payable on demand is from Axis Bank Ltd., BNP Paribas, Standard Chartered Bank and Citi Bank NA and is secured by pari passu first charge on all movable assets of the Company both present and future, wherever located.
- Short-term borrowing from others are unsecured loans borrowed by TUI InfoTec GmbH which is payable on demand.

7. Other current liabilities

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Current maturities of finance lease obligations	21,051,368	-
Payable to employees	26,614,676	34,449,437
Statutory payable	211,649,062	75,208,959
Payable for capital goods	4,999,844	18,290,657
Loss on forward contracts (Marked-to-market)	161,188,717	-
Provision for expenses	720,464,729	728,976,581
Unpaid dividend	8,201,975	207,720,489
Interest accrued and due on borrowings	414,944	-
Income received in advance	36,853,491	34,644,217
Others	7,183,534	13,785,116
	1,198,622,340	1,113,075,456

Sonata Software Limited – Consolidated Financial Statement

Notes (Contd.)

8. Short-term provisions

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Provision for employee benefits		
Gratuity	2,184,113	-
Leave benefits	6,376,557	7,295,397
Pension	8,617,087	6,887,301
Other provisions		
Dividend	26,289,827	105,159,306
Dividend tax	4,264,867	17,059,468
	47,732,451	136,401,472

9. Tangible assets

(₹)

Assets	Gross block				Depreciation				Net Block
	Cost as at 01.04.2011	Additions	Deductions / Adjustments	Cost as at 31.03.2012	As at 01.04.2011	For the Year	Deductions / Adjustments	As at 31.03.2012	As at 31.03.2012
Leasehold land	35,200,000 (35,200,000)	- (-)	- (-)	35,200,000 (35,200,000)	2,332,511 (1,256,195)	1,079,264 (1,076,316)	- (-)	3,411,775 (2,332,511)	31,788,225 (32,867,489)
Buildings	15,493,000 (15,493,000)	- (-)	- (-)	15,493,000 (15,493,000)	2,714,703 (2,462,167)	252,537 (252,536)	- (-)	2,967,240 (2,714,703)	12,525,760 (12,778,297)
Leasehold improvements	197,633,532 (166,592,174)	31,993,210 (31,041,358)	-70,945 (-)	229,697,687 (197,633,532)	104,426,540 (74,662,898)	36,632,674 (29,763,642)	- (-)	141,059,214 (104,426,540)	88,638,473 (93,206,992)
Plant and equipment	2,880,827,959 (3,013,457,770)	384,757,479 (205,221,442)	16,889,400 (337,851,253)	3,248,696,038 (2,880,827,959)	2,589,978,661 (2,646,474,186)	274,598,921 (236,121,891)	12,925,611 (292,617,416)	2,851,651,971 (2,589,978,661)	397,044,067 (290,849,298)
Furniture and fixtures	119,031,645 (112,964,049)	8,538,462 (6,212,764)	2,926,368 (145,168)	124,643,739 (119,031,645)	96,631,937 (90,294,163)	7,139,092 (6,436,264)	2,426,608 (98,490)	101,344,421 (96,631,937)	23,299,318 (22,399,708)
Vehicles	16,630,876 (14,307,649)	- (2,323,227)	1,703,309 (-)	14,927,567 (16,630,876)	9,600,110 (7,390,755)	1,768,340 (2,209,355)	1,033,527 (-)	10,334,923 (9,600,110)	4,592,644 (7,030,766)
Office equipments	322,027,236 (297,196,352)	29,655,113 (32,792,238)	867,594 (7,961,354)	350,814,755 (322,027,236)	167,561,082 (152,789,148)	19,097,103 (16,852,611)	-2,243,081 (2,080,677)	188,901,266 (167,561,082)	161,913,489 (154,466,154)
Total	3,586,844,248 (3,655,210,994)	454,944,264 (277,591,029)	22,315,726 (345,957,775)	4,019,472,786 (3,586,844,248)	2,973,245,543 (2,975,329,512)	340,567,931 (292,712,615)	14,142,664 (294,796,583)	3,299,670,810 (2,973,245,544)	719,801,976 (613,598,704)

Additional information:

- Buildings include cost of shares ₹ 7,000 (Previous Year ₹ 7,000)
- Plant and equipment includes servers taken on finance lease by TUI InfoTec GmbH, Gross Block - ₹ 60,840,030 (₹ Nil), Depreciation for the year - ₹ 4,419,272 (₹ Nil), Net block - ₹ 56,420,758 (₹ Nil)

10. Intangible assets

(₹)

Assets	Gross Block				Depreciation				Net Block
	Cost as at 01.04.2011	Additions	Deductions / Adjustments	Cost as at 31.03.2012	As at 01.04.2011	For the Year	Deductions / Adjustments	As at 31.03.2012	As at 31.03.2012
Goodwill	1,121,862,673 (1,197,681,322)	- (-)	256,218 (75,818,649)	1,121,606,455 (1,121,862,673)	170,438,055 (168,404,357)	1,285,206 (2,033,698)	- (-)	171,723,261 (170,438,055)	949,883,194 (951,424,618)
Computer software	2,988,371,751 (3,068,701,666)	249,476,417 (1,452,060)	55,057,872 (81,781,974)	3,182,790,296 (2,988,371,752)	2,897,571,335 (2,934,856,403)	117,213,923 (92,162,641)	41,349,193 (129,447,708)	2,973,436,065 (2,897,571,336)	209,354,231 (90,800,416)
Total	4,110,234,424 (4,266,382,988)	249,476,417 (1,452,060)	55,314,090 (157,600,623)	4,304,396,751 (4,110,234,425)	3,068,009,390 (3,103,260,760)	118,499,129 (94,196,339)	41,349,193 (129,447,708)	3,145,159,326 (3,068,009,391)	1,159,237,425 (1,042,225,034)

Additional information: Computer software includes related licenses

Sonata Software Limited – Consolidated Financial Statement

Notes (Contd.)

11. Non-current investments

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Non-trade Long Term, at cost In Foreign Holdings Investment in equity instruments Unquoted		
TUI InfoTec Group Undertaking	1,184,572	1,184,572
TUI InfoTec associate companies (net of provisions)	20,202,308	14,823,639
Quoted		
138 shares of Principal Financial Group Inc., (Previous year 138 Shares of US \$ 30.13 per share)	30,718	30,718
	21,417,598	16,038,929
Aggregate cost of unquoted investment	21,386,880	16,008,211
Aggregate cost of quoted investment	30,718	30,718
Market value of quoted investment	207,203	198,340

12. Deferred tax asset

Significant Components of the Company's Deferred tax asset (liability) are as follows:

(₹)

	DTA	DTL	Net DTA / (DTL)
Carry forward loss	70,722,594 (67,633,715)	- (-)	70,722,594 (67,633,715)
Others	41,969,692 (98,945,555)	3,481,286 (-)	38,488,406 (98,945,555)
	112,692,286 (166,579,270)	3,481,286 (-)	109,211,000 (166,579,270)

Deferred tax asset (net) includes foreign exchange gain which is recognized in the statement of profit and loss ₹ 12,058,347 (₹ 5,352,014).

13. Long-term loans and advances

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Unsecured (considered good, unless otherwise stated)		
Security deposits	93,730,492	100,872,866
Capital advances	4,000,000	48,681,772
Prepaid expenses	21,624,596	41,446,151
MAT credit entitlement	211,097,539	257,058,300
Profit on forward contracts (Marked-to-market)	-	5,432,839
Others	1,383,673	94,930
	331,836,300	453,586,858

14. Other non-current assets

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Unsecured (considered good, unless otherwise stated)		
Long-term trade receivable	28,222,928	-
	28,222,928	-

15. Current investments

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Non-trade Investments in mutual funds (unquoted)		
Reliance Money Manager Fund ₹ Nil	-	12,812,351
(Previous year - 12,794.803 units at ₹ 1001.3715 per unit)		
Taurus Liquid Fund 100,036.726 units at ₹ 1000.0905 per unit	100,045,779	-
(Previous year - ₹ Nil)		
Birla Sun Life - Floating Rate fund 1,200,057.009 units at ₹ 100.02 per unit	120,029,707	-
(Previous year - ₹ Nil)		
Birla Sun Life - Liquid Plus Nil	-	36,588,831
(Previous year - 3,656,396.723 units at ₹ 10.0068 per unit)		
Short term securities held by TUI InfoTec	-	126,401,719
€ Nil		
(Previous year 19,600 units at € 101.8810 per unit)		
	220,075,486	175,802,901
Aggregate cost of unquoted investment	220,075,486	175,802,901
Aggregate cost of quoted investment	-	-
Market value of quoted investment	-	-

16. Inventories

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Work-in-progress	67,527,254	79,791,418
Stock-in-trade (Includes Material-in-transit of ₹ 144,451,948)	336,530,335	22,054,239
	404,057,589	101,845,657

17. Trade receivables (unsecured)

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Debts outstanding for a period exceeding six months from the date they are due for payment		
Considered good	90,987,183	60,651,184
Considered doubtful	60,960,052	31,319,583
	151,947,235	91,970,767
Other debts : Considered good	1,901,954,660	1,983,080,642
Considered doubtful	635,934	-
	1,902,590,594	1,983,080,642
	2,054,537,829	2,075,051,409
Less : Allowance for bad & doubtful debts	61,595,986	31,319,583
	1,992,941,843	2,043,731,826

Sonata Software Limited – Consolidated Financial Statement

Notes (Contd.)

18. Cash and cash equivalents

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Cash on hand	37,175	248,811
Cheques, drafts on hand	2,085,430	1,244,840
Balances with banks		
In Current accounts	685,571,105	972,320,983
In Deposit accounts	469,488,190	467,749,648
Margin money deposit	51,923,070	43,623,714
In dividend account	8,201,975	7,720,010
	1,217,306,945	1,492,908,006

19. Short-term loans and advances

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Unsecured (considered good, unless otherwise stated)		
Security deposits	22,081,081	18,218,950
Employee advances*	30,122,043	41,357,855
Prepaid expenses	264,462,655	322,710,312
Advance payment of taxes (net of provisions)	1,174,708,589	841,723,219
MAT credit entitlement	51,663,850	23,133,784
Profit on forward contracts (Marked-to-market)	-	25,279,986
Gratuity	-	2,492,899
Service tax & VAT Input	134,938,314	-
Other recoverables	28,108,199	45,970,508
	1,706,084,731	1,320,887,513

*Advances include due from Directors & other Officers : ₹ Nil
(Previous year : ₹ 82,194)

20. Other current assets

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Income accrued but not due	96,357,279	106,128,454
	96,357,279	106,128,454

21.1 Revenue from operations

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Revenue from traded products	11,495,861,432	9,841,704,913
Revenue from services	4,118,923,625	4,090,260,478
Other operating revenues	65,205,549	116,016,904
	15,679,990,606	14,047,982,295

21.2 Other income

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Provision no longer required (net)	2,923,730	2,654,010
Interest income	85,413,160	48,685,940
Dividend income	7,638,846	10,163,206
	95,975,736	61,503,156

22. Employee benefit expenses

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Salaries, wages, bonus and allowances (Including Directors remuneration)	4,538,859,510	4,022,972,061
Contribution to provident fund and other funds	101,509,906	103,928,148
Staff welfare expenses	37,056,198	54,016,998
	4,677,425,614	4,180,917,207

23. Other operating expenses

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Power and fuel	99,104,250	88,144,751
Rent	944,985,796	1,021,839,842
Repairs to buildings	2,514,667	1,436,955
Repairs to machinery	161,807,087	156,483,931
Insurance	29,390,966	32,676,399
Rates & taxes (excluding income tax)	8,737,964	3,450,835
Facility maintenance	47,737,128	49,938,347
Travelling and conveyance expenses	224,950,209	221,574,026
Subsistence / living cost	174,580,146	193,688,817
Legal, professional and technical fees	639,233,242	531,359,965
Sales commission	40,622,227	19,015,671
Communication cost	271,919,804	289,375,254
Net gain / loss on foreign currency transaction and translation	(34,245,627)	(137,260,343)
Net loss on sale of fixed assets	3,313,997	2,638,226
Net loss on sale of investments	-	7,196
Bad debts	71,844	38,995,874
Less : Allowance for bad & doubtful debts written back	-	25,116,053
	71,844	13,879,822
Allowance for bad & doubtful debts	30,556,537	11,801,354
Software Licence fees	435,176,720	417,057,124
Payment to Auditors		
As auditor	5,065,361	4,598,024
Taxation matters	465,000	423,000
Certification	-	-
Out of pocket expenses	127,927	-
	5,658,288	5,021,024
Miscellaneous expenses	114,192,217	93,369,262
	3,200,307,462	3,015,498,458

24. (Increase) / Decrease in inventories

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Opening Stock :		
Work-in-progress	79,791,418	64,758,883
Stock-in-trade	22,054,239	82,518,694
	101,845,657	147,277,577
Closing Stock :		
Work-in-progress	67,527,254	79,791,418
Stock-in-trade (Includes Material-in-transit of ₹ 144,451,948)	336,530,335	22,054,239
	404,057,589	101,845,657
	(302,211,932)	45,431,920

Sonata Software Limited – Consolidated Financial Statement

Notes (Contd.)

25. Finance costs

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Interest expense	77,293,924	64,274,836
Other borrowing costs	19,748,218	10,611,733
Net gain / loss on foreign currency transaction and translation	21,044,154	(7,402,604)
	118,086,296	67,483,965

26. Tax expense

Current tax of ₹ 24,743,366 (₹ 245,969,072) shown under statement of profit and loss for the year ended 31st March, 2012 is net of ₹ 44,517,490 (₹ 9,011,929), being excess tax provided for earlier years reversed.

27. Commitments

(₹)

	31.03.2012	31.03.2011
(a) Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided (net of advances)	98,594,824	161,908,619
(b) Others		
<i>(as certified by the Management)</i>		
i) Sonata Software Limited		
Forward contracts to sell US \$ outstanding as at 31.03.2012 is ₹ 1,678,622,500 (Previous year ₹ 1,528,493,125), Euros is ₹ 450,490,250 (Previous year ₹ 428,412,500) and GBP is ₹ 547,467,750 (Previous year ₹ 554,925,125).		
ii) Sonata Information Technology Limited		
Forward contracts to buy US \$ outstanding as at 31.03.2012 is ₹ 329,899,205 (Previous Year ₹ 474,875,142).		
iii) TUI InfoTec GmbH		
Other commitments on account of Rent of buildings, Software and communication equipment, Investment activity, Hardware & Others as at 31.03.2012 is ₹ 1581,809,399 (₹ 1755,476,143).		

28. Contingent Liabilities

(as certified by the Management)

I Sonata Software Limited

- a) Claims against the Company not acknowledged as debts** - 6,970,461
- b) Guarantees**
- The Company has given corporate guarantee to IBM Ltd on behalf of Sonata Information Technology Limited for a value of ₹ 50,000,000 (₹ 50,000,000).
 - The Company has provided an indemnity of US\$ 500,000 (US\$ 500,000) to Standard Chartered Bank, India to cover working capital limits provided by Standard Chartered Bank, Dubai to Sonata Software FZ LLC, Dubai.

c) Contingent Liabilities not provided for

(₹)

31.03.2012 31.03.2011

- A. Disputed Income Tax demands** 975,629,465 456,972,314

(a) Disallowance of claims made under Section 10A of the Income Tax Act, 1961 :

The Company does its business of software export through its multiple operating units or undertakings registered under the software Technology Parks Scheme of India. In computing taxable profits from the export of software, the Company claims exemptions provided to registered Software Technology Parks undertakings and units as provided under Section 10A of the Income Tax Act, 1961 ("Act").

The Income Tax department has been disallowing Company's claims under Section 10A on the ground that the Company and its units were formed by restructuring of the operations of Futura Polyesters Limited. The Company's contention was that it was formed by a process of de-merger as per the provisions of the Companies Act, 1956 and not through a process of restructuring as contemplated under Section 10A. The Company's contention has been upheld by the Honorable High Court of Mumbai.

The other ground adopted by the Income Tax department in later years to deny Section 10A benefits was that the 'multiple undertakings of the Company operating under the Software Technology Parks Scheme of India were in fact one single undertaking' and so benefit as claimed by the Company for each of the unit or undertaking is not correct.

The Company has challenged all of the above disallowances and consequent demands at appellate levels. Details of Demands and Forums where they are pending are:

- ₹ 113,100,918 for the financial year 2004-2005. The Company has received favorable orders from Commissioner of Income Tax (Appeals). The Department has preferred an appeal on the said order to the Income Tax Appellate Tribunal. However, based on the favorable orders on 10A issue received from the Honorable High Court of Mumbai, the Company is confident of a positive outcome at the Income Tax Appellate Tribunal. (Previous Year – ₹ Nil).
- ₹ 220,166,905 for the financial year 2006-2007. For this year, the Income Tax department has disallowed the Company's 10A claim on the ground that the multiple undertakings of the Company operating were in fact one single undertaking. Further, certain additional disallowances have been made on Income accrued but not billed, depreciation claims, etc. The Company has preferred an appeal to the Commissioner of Income Tax (Appeals) on above order. (Previous Year – ₹ 220,166,905).

- iii) ₹229,570,226 for financial year 2007-2008. This demand was received during the year. As discussed above for the earlier year the Income Tax department has disallowed the Company's claim under Section 10A of the Act on the ground that the multiple undertakings of the Company operating were in fact one single undertaking. Further, certain additional disallowances have been made on Income accrued but not billed, depreciation claims, etc. The Company has preferred an appeal to the Commissioner of Income Tax (Appeals) on above order. (Previous Year – ₹ Nil)

(b) Inter-unit set-off of losses :

As discussed in point (a) above, the Company operates multiple operating units and undertakings under the Software Technology Parks Scheme of India. While computing its taxable profits, losses from one undertaking were set-off against profits or carried forward to the subsequent financial years by the Company. The Income Tax department has disallowed such carry forward of losses. This position was adopted by the Assessing Officer from the financial year 2005-2006.

Details of Demands and Forums where they are pending are:

- i) ₹ 12,321,813 for financial years of 2002-2003 and 2003-2004. The assessments were re-opened by the Income Tax Officer to make the above demand. The Company has preferred an appeal to the Commissioner of Income Tax (Appeals). (Previous Year – ₹ Nil).
- ii) ₹ 11,900,233 for financial years 2004-2005. The assessments were re-opened during the year by the Income Tax Officer to make the above demand. The Company received unfavorable orders on this issue from the Commissioner of Income Tax (Appeals) and has preferred an appeal on the said unfavorable order before Income Tax Appellate Tribunal. (Previous Year – ₹ Nil).

(c) Disallowance of Inter-Company Service Charges :

Sonata Software Limited, the holding company, charges Sonata Information Technology Limited its wholly owned subsidiary for certain support services rendered. During assessments, the Income Tax department denied Section 10A benefits on such support services and assessed the same as normal business income. The Income Tax department's contention is that such service charges are not eligible for benefits as contemplated under Section 10A.

Details of Demands and Forums where they are pending are:

₹ 96,098,126 for financial years 2001-2002 and 2002-2003. The Company has received favorable orders from Income Tax Appellate Tribunal. The Department has preferred an appeal on the said order before the Honorable High Court of Mumbai, which has been admitted. (Previous year - ₹ Nil).

(d) Withholding Tax Demand :

The Company, prior to the formation of its wholly owned subsidiary Sonata Information Technology Limited, was engaged in the business of buying and selling packaged software in India. The Income Tax department has been contending that amounts paid by the Company for buying the software products is in the nature of 'royalty' and hence had to withhold Income Tax on the same as per the Act. The Company's contention among others has been that the payments were made for purchase of 'goods' and hence was under no obligation to withhold Income Tax on the same. On this dispute the Company had received favorable orders from the Income Tax Appellate Tribunal which were during the year reversed by the Honorable High Court of Karnataka. The Company has preferred a Special Leave Petition Appeal on the said order to the Honorable Supreme Court of India, which has been admitted.

Details of Demands and the Forums where they are pending are:

₹ 284,187,956 for the financial years 1999-2000, 2000-2001 and 2001-2002. However, for these years one of the principal suppliers of software to the Company has paid ₹ 87,904,913 out of the above demand.

(e) Deductions claimed under Section 80 O :

Prior to the enactment of Section 10A, the Company claimed deduction for exports made, under Section 80 O of the Act. The department has re-opened the assessments and disallowed certain aspects of the claims made on the contention that cost allocation principles followed for the claim are erroneous.

Details of Demands and the Forums where they are pending are:

₹ 8,283,288 for the financial year 1994-1995. The Company has received favorable orders from Income Tax Appellate Tribunal. The Department has preferred an Appeal on the said order before the Honorable High Court of Mumbai, which has been admitted. (Previous year – ₹ Nil).

(₹)

31.03.2012 31.03.2011

- B. Disputed Service Tax demands **67,653,029 67,653,029**
The Company renders Information Technology related services to some of its clients in India. The Service Tax

department has classified these services as in the nature of 'Manpower Recruitment or Supply Agency Services' and raised demands for service tax. The Company has contested this re-classification and has preferred an appeal before the Central Excise and Service Tax Appellate Tribunal. One of the clients of the Company has indemnified the Company for any demands that may arise on account of service tax liability upto an amount of ₹ 23,700,000.

(₹)

31.03.2012 31.03.2011

C. KVAT from Commercial tax department

- 6,813,800

II Sonata Information Technology Limited

- i) Disputed Karnataka Sales Tax demand for F Y 2001-02 is ₹ 294,017 (₹ 294,017).
- ii) Contingent Liabilities not provided for:

Dispute Income Tax demands	3,076,554,645	269,094,608
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(a) Disallowance of Inter-Company service charges and costs for deputation of personnel

Sonata Software Limited, the holding company charges the Company for certain support services rendered and for the cost of project personnel deputed. These support services and costs for deputation are being disallowed by the Income Tax department while computing taxable profits of the Company. The Company has challenged these disallowances and consequent demands at appellate levels and is confident of a favorable outcome. Details of demands and forums where they are pending are:

- I. ₹ 147,372,612 for the financial years 2001-2002, 2003-2004, and 2004-2005. The Company has received favorable orders from the Income Tax Appellate Tribunal for all of the above years. The Income Tax department has preferred an appeal to the Honorable High Court of Mumbai on the above orders in-so far as they relate to amounts covering inter-company service charges. (Previous year – ₹ 147,372,612).
- II. ₹ 44,659,336 for the financial year 2002-2003. In this case, the Income Tax department's appeal to the Honorable High Court of Mumbai was time-barred and hence dismissed. The Income Tax department had preferred a Special Leave Petition on the said dismissal to the Honorable Supreme Court of India which has referred the petition back to the Honorable High Court of Mumbai with a request to reconsider its decision. (Previous year – ₹ Nil).

III. ₹ 83,328,733 for financial year 2006-2007. The Company has received a favorable order from the Commissioner of Income Tax (Appeals) for the said year. During the year, the Income Tax department has preferred an appeal to Income Tax Appellate Tribunal on the said order. (Previous year – ₹ Nil).

IV. ₹ 120,175,810 for financial Year 2007-2008. The Company has received unfavorable orders from the Commissioner of Income Tax (Appeals) and has now preferred an appeal on the same to the Income Tax Appellate Tribunal. (Previous year – ₹ 121,721,996).

V. ₹ 98,468,823 for the financial year 2008-2009 based on disallowances at the initial stage of assessment. This demand has been received during the year. (Previous year – ₹ Nil).

(b) Withholding Tax Demand

The Company is engaged in the business of buying and selling packaged software in India. The Income Tax department has been contending that amounts paid by the Company for buying the software products is in the nature of 'royalty' and hence had to withhold Income Tax on the same as per the Income Tax Act, 1961. The Company's contention among others has been that the payments were made for purchase of 'goods' and hence was under no obligation to withhold Income Tax on the same. On this dispute the Company had received favorable orders from the Income Tax Appellate Tribunal which were during the year reversed by the Honorable High Court of Karnataka. The Company has preferred a Special Leave Petition Appeal on the said order to the Honorable Supreme Court of India, which has been admitted.

Details of demands and the forums where they are pending are:

₹ 218,239,587 for the financial years of 2000-2001 and 2001-2002. However, for these years one of the principal suppliers of software to the Company has paid ₹ 128,598,266 out of the above demand. (Previous year – ₹ Nil).

(c) Disallowance of payments made for purchase of software on which Income Tax was not withheld

The demands made by the Income Tax department are consequent to the issue described in (b) above. Purchases on which Income Tax had not been withheld have been disallowed by the Income tax department as an 'expense' as per Sections 40(a)(i) and 40(a)(ia) while computing taxable profits of the Company.

During the year, the Honorable High Court of Karnataka gave an unfavorable decision on the issue covered in (b) above. Taking cognizance of this, the Company has disclosed the demands raised pursuant to the disallowance under sections 40(a)(i) and 40(a)(ia) as contingent liabilities. However, the said demands which are consequential and penal in nature do not arise automatically and there are multiple legal precedents in favor of the Company.

Based on legal opinions and feedback from its legal counsels, the Company is confident of a favorable outcome on these consequential demands.

Details of demands raised and the forums where they are ending are:

- I. ₹ 324,042,183 of tax demand for the financial year 2001-2002. The Company has received a favorable order from the Income Tax Appellate Tribunal. The Income Tax department has preferred an appeal to the Honorable High Court of Mumbai on the said order. The Honorable High Court has admitted this appeal. (Previous year – ₹ Nil).
- II. ₹ 502,168,458 for the financial year 2002-2003. In this case, the Income Tax department's appeal to the Honorable High Court of Mumbai was time-barred and hence dismissed. The Income Tax department had preferred a Special Leave Petition on the said dismissal to the Honorable Supreme Court who has referred the petition back to the Honorable High Court of Mumbai with a request to reconsider its decision. (Previous year – ₹ Nil).
- III. ₹ 656,349,017 for the financial year 2006-2007. The Company has received a favorable order from the Commissioner of Income Tax (Appeals). The Income Tax department has during the year preferred an appeal to Income Tax Appellate Tribunal on the said order. (Previous year – ₹ Nil).
- IV. ₹ 881,750,082 for the financial year 2007-2008. This demand has been raised by the Income Tax Officer during the initial stage of assessment. The Company has preferred an appeal on the said demand to the Commissioner of Income Tax (Appeals). (Previous year – ₹ Nil).

III TUI InfoTec GmbH

TUI InfoTec GmbH has extended a guarantee in favor of ACCON-RVS Accounting & Consulting GmbH, to Commerzbank AG for an amount of EUR 814,000.

29. Note On AS 30 Adoption

Accounting Standard 30, (AS 30) Financial Instruments: Recognition and Measurement was issued by the Institute

of Chartered Accountants of India (ICAI) in December 2007. AS 30 becomes recommendatory in respect of accounting periods commencing on or after 1st April, 2009 and mandatory in respect of accounting periods commencing on or after 1st April, 2011. ICAI had encouraged earlier adoption of the standard. The Company has adopted the Standard from the accounting year ended 31st March, 2009 and applied the recognition and measurement principles as set out in AS 30 for accounting derivatives. Changes in fair values of derivative financial instruments designated as effective cash flow hedges are recognized directly into Hedging Reserve in the Balance Sheet under Reserves and Surplus and later reclassified to Profit and Loss account upon the occurrence of the forecasted hedged transaction. Changes in the fair value of ineffective cash flow hedges are recognized in the Statement of Profit and Loss as they arise.

As at 31st March, 2012, the Company had recognized ₹ -178,722,709 (Previous year ₹ 30,712,825) into "Hedging Reserve" due to changes in fair value of the effective cash flow hedges.

30. During the year, the group had capitalized certain self generated intangible asset for ₹ 30,254,735, which belongs to the international segment (i.e.) the primary reportable segment (as defined in Accounting Standard 17, Segment Reporting). Following the marketability of the related products, the Management decided to impair total value in the current financial year. The said impairment loss has been charged in the statement of Profit and Loss under "Depreciation & Amortization".

31. Segment Reporting

The Company's operation comprises of software development, technical services and product marketing. Primary segmental reporting is based on geographical areas, viz., Domestic India (products & services) and International (Exports-Software Services and Products). Secondary Segment comprises business segment viz., products & services.

In primary segment, revenue and all expenses, which relate to a particular geographical segment, are reported. Fixed Assets, Current Assets, Loans and Advances, Current Liabilities and Provisions are classified based on specific geographical segment's business.

Secondary segment is reported based on the company's business viz., products and services. Revenue is identified based on the business operations. Fixed assets used in the company's business have not been identified to any specific business segment as they are used interchangeably between segments. Further cash and bank balances are reported at the enterprise level. Current assets and current liabilities relating to the specific business segments are identified and reported. Those, which are not identifiable, are reported as common assets / liabilities.

Sonata Software Limited – Consolidated Financial Statement

Notes (Contd.)

Primary Reporting Requirement – Statement of Profit and Loss (₹)

	Domestic	International	Total
Revenue	7,921,149,680 (6,011,244,948)	7,758,840,926 (8,036,737,347)	15,679,990,606 (14,047,982,295)
Direct and allocated Segment Cost	7,954,048,255 (5,862,558,381)	7,323,901,228 (6,665,420,145)	15,277,949,483 (12,527,978,526)
Inter - Segment Cost	- (-)	- (-)	- (-)
Total Cost	7,954,048,255 (5,862,558,381)	7,323,901,228 (6,665,420,145)	15,277,949,483 (12,527,978,526)
Operating Profit	(32,898,575) (148,686,567)	434,939,698 (1,371,317,202)	402,041,123 (1,520,003,769)
Other Income	72,763,908 (39,171,363)	23,211,828 (22,331,793)	95,975,736 (61,503,156)
Earnings before interest, tax, depreciation and amortization (EBITDA)	39,865,333 (187,857,930)	458,151,526 (1,393,648,995)	498,016,859 (1,581,506,925)
Depreciation and amortization expense	1,094,436 (1,594,956)	457,972,623 (385,313,997)	459,067,059 (386,908,953)
Profit / (Loss) Before Interest and Tax	38,770,897 (186,262,974)	178,903 (1,008,334,998)	38,949,800 (1,194,597,972)
Finance costs	67,280,552 (28,473,897)	50,805,744 (39,010,068)	118,086,296 (67,483,965)
Profit / (Loss) Before Tax	-28,509,655 (157,789,077)	-50,626,841 (969,324,931)	-79,136,496 (1,127,114,008)
Provision for Taxation	1,104,924 (39,121,847)	93,065,059 (210,801,098)	94,169,983 (249,922,945)
Mat Credit	- (-)	- (82,804,684)	- (82,804,684)
Profit / (Loss) After Tax before minority interest / share of earning in affiliates	-29,614,579 (118,667,230)	-143,691,900 (841,328,516)	-173,306,479 (959,995,746)
Less : Minority interest	- (-)	-124,163,268 (107,939,173)	-124,163,268 (107,939,173)
Add: Share of profit of Associates	- (-)	23,244,550 (4,039,786)	23,244,550 (4,039,786)
Profit / (Loss) After Tax and after minority interest and share of profit of Associates	-29,614,579 (118,667,230)	3,715,918 (737,429,129)	-25,898,661 (856,096,359)

Primary Reporting Requirement – Assets and Liabilities (₹)

Particulars	Domestic	International	Total
NON-CURRENT ASSETS			
Tangible & Intangible assets	34,466,814 (32,145,865)	8,289,402,724 (7,664,932,807)	8,323,869,538 (7,697,078,672)
Less : Depreciation	30,313,547 (29,547,913)	6,414,516,590 (6,011,707,021)	6,444,830,137 (6,041,254,934)
Net Block	4,153,267 (2,597,952)	1,874,886,134 (1,653,225,786)	1,879,039,401 (1,655,823,738)
Capital work-in-progress	- (1,012,000)	20,432,890 (29,076,626)	20,432,890 (30,088,626)
Non-current investments	- (-)	21,417,598 (16,038,929)	21,417,598 (16,038,929)
Deferred Tax Asset (net)	6,875,634 (4,629,282)	102,335,366 (161,949,988)	109,211,000 (166,579,270)
Other non-current assets	- (-)	28,222,928 (-)	28,222,928 (-)
Long-term loans and advances	396,000 (4,022,566)	331,440,300 (449,564,292)	331,836,300 (453,586,858)
CURRENT ASSETS			
Current investments	- (-)	220,075,486 (175,802,901)	220,075,486 (175,802,901)
Inventories	336,530,335 (22,054,239)	67,527,254 (79,791,418)	404,057,589 (101,845,657)
Trade receivables	736,524,244 (900,173,232)	1,256,417,599 (1,143,558,594)	1,992,941,843 (2,043,731,826)
Cash and cash equivalents	99,658,640 (103,957,547)	1,117,648,305 (1,388,950,459)	1,217,306,945 (1,492,908,006)
Other Current Assets	10,459,151 (19,019,697)	85,898,128 (87,108,756)	96,357,279 (106,128,453)
Short-term loans and advances	1,129,942,804 (963,024,481)	576,141,927 (357,863,032)	1,706,084,731 (1,320,887,513)
NON-CURRENT LIABILITIES			
Long-term borrowings	- (-)	37,526,259 (-)	37,526,259 (-)
Other long-term liabilities	- (-)	225,708,597 (69,654,943)	225,708,597 (69,654,943)
Long-term provisions	1,161,382 (1,047,564)	921,680,661 (751,252,171)	922,842,043 (752,299,735)
CURRENT LIABILITIES			
Trade payables	1,325,423,364 (934,337,292)	97,289,812 (-4,910,940)	1,422,713,176 (929,426,352)
Short-term borrowings	306,838,058 (307,646,720)	67,900,000 (-)	374,738,058 (307,646,720)
Other current liabilities	161,952,520 (136,951,715)	1,036,669,820 (976,123,741)	1,198,622,340 (1,113,075,456)
Short-term provisions	488,439 (447,057)	47,244,012 (135,954,415)	47,732,451 (136,401,472)

Sonata Software Limited - Consolidated Financial Statement

Notes (Contd.)

Secondary Reporting Requirement - Business Segment

(₹)

	Products	Services	Common	Total
Revenue	11,495,861,432 (9,841,704,913)	4,118,923,625 (4,090,260,478)	65,205,549 (116,016,904)	15,679,990,606 (14,047,982,295)
NON CURRENT ASSETS				
Tangible & Intangible Assets				
Gross Block	- (-)	- (-)	8,323,869,538 (7,697,078,672)	8,323,869,538 (7,697,078,672)
Less :				
Accumulated Depreciation	- (-)	- (-)	6,444,830,137 (6,041,254,934)	6,444,830,137 (6,041,254,934)
Net Block	- (-)	- (-)	1,879,039,401 (1,655,823,738)	1,879,039,401 (1,655,823,738)
Capital Work-in-Progress	- (-)	- (-)	20,432,890 (30,088,626)	20,432,890 (30,088,626)
Deferred Tax Assets (Net)	- (-)	- (-)	109,211,000 (166,579,270)	109,211,000 (166,579,270)
Other non-current assets	- (-)	- (-)	28,222,928 (-)	28,222,928 (-)
Long-term loans and advances	- (-)	- (-)	331,836,300 (453,586,858)	331,836,300 (453,586,858)
CURRENT ASSETS				
Inventories	336,530,335 (22,054,239)	- (-)	67,527,254 (79,791,418)	404,057,589 (101,845,657)
Trade receivables	736,524,244 (900,173,232)	367,897,678 (439,687,977)	888,519,921 (703,870,617)	1,992,941,843 (2,043,731,826)
Cash and cash equivalents	- (-)	- (-)	1,217,306,945 (1,492,908,006)	1,217,306,945 (1,492,908,006)
Other Current Assets	10,459,151 (19,019,697)	40,607,509 (-350,419,577)	45,290,619 (437,528,333)	96,357,279 (106,128,453)
Short-term loans and advances	1,129,942,804 (963,024,481)	- (-)	576,141,927 (357,863,032)	1,706,084,731 (1,320,887,513)
Capital Expenditure	- (-)	- (-)	694,693,999 (357,813,487)	694,693,999 (357,813,487)

32. Related Party Transaction

(as certified by the Management)

The list of related parties and nature of their relationship as stated below:

I. KEY MANAGERIAL PERSONS AND OTHER DIRECTORS DURING 2011-12

1. B Ramaswamy, Vice-Chairman & Managing Director of Sonata Software Limited ("SSL") until 16 th August, 2011	6. S B Ghia, Director of SSL
2. Sanjay Viswanathan, MD & CEO from 17 th August, 2011 to 14 th February, 2012	7. Viren Raheja, Director of SSL
3. Srikar Reddy, JMD & COO till 14 th February, 2012 and MD & CEO from 14 th February, 2012 onwards	8. B K Syngal, Director of SSL
4. M D Dalal, Executive Vice Chairman of SSL	9. S N Talwar, Director of SSL
5. Pradip P Shah, Chairman of SSL	10. Sujit Mohanty, Vice President & Director of Sonata Information Technology Limited

II. OTHER RELATED PARTIES & NATURE OF RELATIONSHIP AS ON 31.03.2012

	List of related parties	Nature of Relationship
S B Ghia, Director	Bhupati Investments & Finance Pvt. Ltd.	Significant Influence (through VIPL); Spouse Mrs. R S Ghia as Chairperson and brother's wife Mrs.V.D.Ghia as Director
	Chika Pvt. Limited	Son Mr N S Ghia as Chairman
	Viraj Investments Pvt. Ltd. (VIPL)	Son as Chairman and Spouse, Brother's wife are Directors
M D Dalal, Executive Vice Chairman	Daltreya Investment & Finance Pvt. Ltd.	Spouse & Sister are Directors
Viren Raheja, Director	Rajan B Raheja	Father
	Suman R Raheja	Mother
	Akshay R Raheja	Brother
	Excelsior Construction Pvt. Ltd.	100% shareholding by Mr. Rajan B Raheja & his family
	Gstaad Investments & Finance Pvt. Ltd.	100% shareholding by Mr. Rajan B Raheja & his family
P Srikar Reddy, Managing Director & CEO	Trophy Investments & Finance Pvt. Ltd.	100% shareholding by Mr. Rajan B Raheja & his family
	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Member of Supervisory Board
	Sonata Software FZ LLC, Dubai	Director
Subsidiaries	Sonata Information Technology Ltd.	Wholly owned subsidiary of Sonata
	Sonata Software FZ LLC, Dubai	Wholly owned subsidiary of Sonata
	Sonata Software North America Inc., USA	Wholly owned subsidiary of Sonata
	Sonata Software GmbH, Germany	Wholly owned subsidiary of Sonata
	Sonata Europe Ltd., UK	Wholly owned subsidiary of Sonata
	TUI Infotec GmbH, Germany	Subsidiary of Sonata
	Sonata Software (Qatar) LLC	Subsidiary of Sonata

Note: Above disclosures have been made by the Directors pursuant to the legal opinion from M/s Kanga & Co, Solicitors.

Sonata Software Limited – Consolidated Financial Statement

Notes (Contd.)

The transactions with related parties are furnished below:

Remuneration of Directors & Key managerial Persons

a) Sonata Software Limited

(₹)

Name	Salaries *	Commission provided during the year	Total
P Srikar Reddy	10,599,933 (7,110,039)	1,067,824 (3,423,662)	11,667,757 (10,533,701)
Sanjay Viswanathan	5,899,072 (-)	- (-)	5,899,072 (-)
B Ramaswamy	6,172,981 (9,733,641)	800,868 (6,847,324)	6,973,849 (16,580,965)
M D Dalal		704,762 (2,259,617)	704,762 (2,259,617)
S B Ghia		467,545 (1,369,465)	467,545 (1,369,465)
Viren Raheja		467,545 (1,369,465)	467,545 (1,369,465)
Pradip P Shah		467,545 (1,369,465)	467,545 (1,369,465)
S N Talwar		467,545 (1,369,465)	467,545 (1,369,465)
B K Syngal		467,545 (1,369,465)	467,545 (1,369,465)

* Salaries include taxable value of perquisites

Employed part of the year

b) Sonata Information Technology Limited

(₹)

Name	Salary
Sujit Mohanty	4,116,427 (3,948,669)

33. Employee Benefits

(a) Gratuity :

Defined benefit plan - As per actuarial valuation as on March 31, 2012

(₹)

		Funded		Unfunded	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011
I	Change in Obligation during the year ended March 31, 2012				
1	Present value of Defined Benefit Obligation at beginning of the year	100,060,106	75,265,530	811,633,619	831,668,301
2	Current Service Cost	14,799,236	10,952,317	80,319,793	37,009,168
3	Interest Cost	8,254,959	6,209,406	41,437,673	35,857,678
4	Actuarial (Gains) / Losses	(2,301,844)	17,669,092	-	(113,201,732)
5	Changes to Defined Benefit Obligations due to changes from IAS to Bi Mog			6,067,408	-
6	Benefits Paid	(25,654,338)	(10,036,239)	(8,302,065)	(6,840,325)
7	Present value of Defined Benefit Obligation at the end of the year	95,158,119	100,060,106	931,156,428	784,493,090

Sonata Software Limited – Consolidated Financial Statement

Notes (Contd.)

(₹)

		Funded		Unfunded	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011
II	Change in Assets during the Year ended March 31, 2012				
1	Plan assets at the beginning of the year	102,553,005	93,254,163	-	-
2	Since Bi Mog recognizable Plan Assets			14,237,544	10,211,277
3	Expected return on plan assets	(24,707,797)	7,460,333	-	9,519,497
4	Contributions by Employer	7,372,381	13,743,153	-	-
5	Actual benefits paid	12,697,070	(10,036,239)	-	-
6	Actuarial Gains / (Losses)	(4,560,059)	(1,868,405)	-	-
7	Plan Assets at the end of the year	93,354,600	102,553,005	14,237,544	9,519,497
III	Net Asset / (Liability) recognized in the Balance Sheet as at March 31, 2012				
1	Present Value of Defined Benefit Obligation	95,158,119	100,060,106	931,156,428	784,493,090
2	Fair value of plan assets	93,354,600	102,553,005	14,237,544	9,519,497
3	Difference from applying Bi Mog, not yet recognised in P&L			(62,601,491)	
4	Fund Status (Surplus / Deficit)	(1,803,519)	2,492,899	-	(774,973,593)
5	Net Assets / (Liability)	(1,803,519)	2,492,899	(854,317,393)	(774,973,593)
IV	Expenses recognized in the statement of Profit & Loss for the year ended March 31, 2012				
1	Current Service Cost	14,799,236	10,952,317	80,319,793	34,725,114
2	Interest Cost	8,254,959	6,209,406	41,437,673	37,042,274
3	Expected return on plan assets	(8,204,241)	(7,460,333)	-	-
4	Net Actuarial (Gains) / Losses	2,258,215	19,537,497	-	2,737,092
5	Difference from applying Bi Mog, recognized in P&L	-	-	4,334,600	2,292,726
6	Total Expense	17,108,169	29,238,887	126,092,065	76,797,206
V	The major categories of plan assets as a percentage of total plan				
	Insurer Managed Funds	100%	100%	-	-
VI	Actuarial Assumptions				
1	Discount Rate	8.50%	8.25%	5.13%	5.14%
2	Expected rate of return on plan assets	8.60%	8.00%	N.A.	N.A.
3	Mortality Table	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate	Richttafein 2005Gvon Prof. Dr.Heubeck	Richttafein 2005Gvon Prof. Dr.Heubeck
4	Retirement Age	60 Years	60 Years	63 Years	63 Years

Note: The funded employee benefits relate to gratuity plan of Sonata Software Limited and Sonata Information Technology Limited. The Unfunded employee benefits pertains to TUI InfoTec GmbH.

a) Basis used to determine expected rate of return on assets (for Funded plans)

The expected return on planned assets is based on market expectation at the beginning of the period for returns over the entire life of the related obligation. The Gratuity Scheme is invested in Group Gratuity Scheme with HDFC Standard Life Insurance Company Limited. The expected return on assets assumption is taken based on current market yield.

b) The estimates of future salary increases, considered in actuarial valuation, take into account of inflation, seniority promotion and other relevant factors, such as supply and demand in the employment market.

Sonata Software Limited – Consolidated Financial Statement

Notes (Contd.)

- c) Amounts for the current annual period and previous three annual periods are as follows:

(₹)

	31.03.2012	31.03.2011	31.03.2010	31.03.2009
Present value of Defined benefit obligation	95,158,119	100,060,106	75,265,530	71,613,960
Fair Value of Plan Assets	93,354,600	102,553,005	93,254,163	74,632,728
Surplus / (deficit)	(1,803,519)	2,492,899	17,988,633	3,018,768

- d) Estimated Contribution for the next year on account of gratuity ₹ 16,333,116 (₹ 11,145,118) and pension ₹ 8,890,924 (₹ 6,420,709).
- e) Contribution / Provisions to superannuation, Pension and other funds under defined contribution plan is ₹ 39,992,016 (₹ 37,618,985).

34. Earnings per share

(₹)

Particulars	2011-2012	2010-2011
Profit attributable to equity shareholders	(25,898,661)	856,096,359
Weighted average number of Equity Shares of ₹ 1/-	105,159,306	105,159,306
Earnings Per Share – basic & diluted	(0.25)	8.14

35. Leases

a. Operating leases

The Company has various operating leases for office facilities, guest houses and residential premises for employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the Income statements for the year is ₹ 283,911,331 (₹ 271,462,117).

As of 31st March, 2012 future minimum lease payments for non-cancelable operating leases for the period upto which the lease is non-cancellable are provided below.

(₹)

Not later than one year	45,589,934
Later than one year and not later than 5 years	25,604,522
Later than 5 years	-

b. Finance leases

TUI InfoTec GmbH has finance leases for acquiring servers classified under plant and equipment. These leases have terms of renewal and purchase option of the lessee. However, there is escalation clause. Future minimum lease payments (MLP) under finance leases together with the present value of the net MLP are as follows :

(₹)

	31.03.2012		31.03.2011	
	Min. Payments	Present value of MLP	Min. Payments	Present value of MLP
Not later than one year	21,051,368	19,887,260	-	-
Later than one year and not later than 5 years	37,526,259	36,672,232	-	-
Later than 5 years	-	-	-	-
Total Minimum lease payments	58,577,627	56,559,492	-	-
Less : amount representing finance charges	2,018,135	-	-	-
Present value of minimum lease payments	56,559,492	56,559,492	-	-

36. There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small, and Medium Enterprises Development Act, 2006 to whom the Company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made.

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

37. Previous year's figures are shown in brackets and have been regrouped, wherever necessary to conform to current year's classification.

As per our Report annexed

For and on behalf of the Board of Directors

For **N M RAJI & Co.**
Chartered Accountants

CA. Y N THAKKAR
Partner
Membership No.: 33329

PRADIP P SHAH
Chairman

P SRIKAR REDDY
Managing Director
& CEO

S B GHIA
Director

VIREN RAHEJA
Director

S N TALWAR
Director

VENKATRAMAN NARAYANAN
CFO

R SATHYANARAYANA
AVP - Finance & Accounts

PRIYA MANOJ JASWANI
Company Secretary

Mumbai, 24th May, 2012

Sonata Software Limited – Consolidated Financial Statement

CONSOLIDATED CASH FLOW STATEMENT

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit / (Loss) Before Tax	(79,136,496)	1,127,114,007
Adjustments for :		
Depreciation	459,067,059	386,908,953
Finance costs	118,086,296	67,483,965
Interest received from term deposits	(85,413,160)	(48,685,940)
Allowance for bad & doubtful debts	30,556,537	11,801,354
Advances written off	475,613	-
Bad Debts	71,844	13,879,822
Provision no longer required (net)	(2,923,730)	(2,654,010)
(Profit) / Loss on sale of fixed assets	3,313,997	2,638,226
Loss on sale of Investments	-	7,196
Dividend income	(7,638,846)	(10,163,206)
Operating Profit before Working Capital Changes	436,459,114	1,548,330,367
Adjustments for:		
Decrease / (Increase) in trade receivables	(8,061,326)	(130,097,859)
Decrease / (Increase) in inventories	(302,211,932)	45,431,921
Decrease / (Increase) in other current assets	9,771,175	(15,326,529)
Decrease / (Increase) in long-term loans and advances	178,643,215	(460,139,960)
Decrease / (Increase) in short-term loans and advances	(226,965,564)	623,390,071
(Decrease) / Increase in trade payables	493,286,824	(39,176,143)
(Decrease) / Increase in other long-term liabilities	156,053,654	69,654,943
(Decrease) / Increase in other current liabilities	54,992,190	72,099,424
(Decrease) / Increase in long-term provisions	170,542,308	159,334,571
(Decrease) / Increase in short-term provisions	(85,745,291)	(165,146,212)
(Decrease) / Increase in hedging reserve	(209,435,534)	(147,112,421)
Cash generated from operations	667,328,833	1,561,242,173
Direct taxes / advance tax paid (net)	(252,401,637)	(446,909,144)
Net Cash from Operating Activities	(A) 414,927,196	1,114,333,029
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets, including intangible assets, CWIP and capital advances	(694,693,999)	(357,813,487)
Proceeds from sale of fixed assets	18,753,017	76,675,882
Proceeds of current investments (net)	(44,272,585)	168,492,525
Proceeds of non-current investments (net)	(5,378,669)	97,556,864
Interest received	85,413,160	48,685,940
Dividend received	7,638,846	10,163,206
Net Cash from Investing Activities	(B) (632,540,232)	43,760,930
C. CASH FLOW FROM FINANCING ACTIVITIES		
Minority Interest	16,590,059	(117,270,314)
Proceeds from borrowings (net)	104,617,597	8,274,318
Dividend paid on equity shares	(52,579,653)	(219,784,333)
Dividend taxes paid on equity shares	(8,529,732)	-
Finance costs	(118,086,296)	(67,483,965)
Net Cash from Financing Activities	(C) (57,988,025)	(396,264,294)
Net Increase / (Decrease) in Cash and Cash Equivalents	(A)+(B)+(C) (275,601,061)	761,829,665
Opening Cash and Cash Equivalents	1,492,908,006	731,078,341
Closing Cash and Cash Equivalents	1,217,306,945	1,492,908,006

Sonata Software Limited – Consolidated Financial Statement Cash Flow Statement (Contd.)

Notes :

1. Cash and Cash Equivalents:

Cash and Cash Equivalents consists of cash on hand and balances with banks. Cash and Cash Equivalents included in the Cash Flow Statement comprise of the following Balance Sheet Amounts.

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Cash on hand and balance with banks	1,217,362,306	1,501,760,363
Cash & Cash Equivalents	1,217,362,306	1,501,760,363
Effect of exchange rate change Gain / (Loss)	(55,361)	(8,852,357)
Cash and Cash Equivalents as restated	1,217,306,945	1,492,908,006

2. The Company has undrawn borrowing facilities of ₹ 402,120,000.

3. Previous year figures have been regrouped wherever necessary to confirm to current year classification.

As per our Report annexed

For **N M RAIJI & Co.**
Chartered Accountants

CA. Y N THAKKAR
Partner
Membership No.: 33329

For and on behalf of the Board of Directors

PRADIP P SHAH
Chairman

VIREN RAHEJA
Director

R SATHYANARAYANA
AVP - Finance & Accounts

P SRIKAR REDDY
Managing Director
& CEO

S N TALWAR
Director

PRIYA MANOJ JASWANI
Company Secretary

S B GHIA
Director

VENKATRAMAN NARAYANAN
CFO

Mumbai, 24th May, 2012

Sonata Software Limited – Consolidated Financial Statement

ADDITIONAL FINANCIAL INFORMATION OF OVERSEAS SUBSIDIARIES – in respective foreign currency

		Sonata Software North America Inc, USA *	Sonata Software FZ LLC	Sonata Software GmbH, Germany	Sonata Europe Limited, UK	TUI InfoTec GmbH, Germany	Sonata Software, Qatar
		(Amount in USD)	(Amount in USD)	(Amount in Euro)	(Amount in GBP)	(Amount in Euro)	(Amount in USD)
a.	Capital						
	- Stock holders Equity	300,000	136,129	25,000	671,700	1,000,000	55,080
	- Preferred Stock	–	–	–	9,613,660	–	–
b.	Reserves and Surplus	(1,788,101)	440,752	330,989	5,601,269	1,474,552	(60,854)
c.	Total Assets	5,825,349	1,749,115	738,526	15,972,632	32,487,138	50,571
d.	Total Liabilities	5,825,349	1,749,115	738,526	15,972,632	32,487,138	50,571
e.	Details of Investment (except in case of investment in subsidiaries)	–	–	–	–	349,318	–
f.	Turnover	28,210,544	3,232,308	1,654,938	244,503	80,934,051	–
g.	Dividends from Subsidiary	–	–	–	–	–	–
h.	Profit before Taxation	416,025	115,413	125,246	(206,063)	(3,394,211)	(60,854)
i.	Provision for Taxation	51,492	–	39,951	19,719	940,046	–
j.	Minority Interest	–	–	–	–	150,469	–
k.	Profit after Taxation and Minority Interest	364,533	115,413	85,295	(186,344)	(4,484,726)	(60,854)
l.	Proposed Dividend	–	–	–	–	–	–

ADDITIONAL FINANCIAL INFORMATION OF OVERSEAS SUBSIDIARIES – in ₹

		Sonata Software North America Inc, USA *	Sonata Software FZ LLC	Sonata Software GmbH, Germany	Sonata Europe Limited, UK	TUI InfoTec GmbH, Germany	Sonata Software, Qatar
a.	Capital						
	- Stock holders Equity	15,264,000	6,926,244	1,697,500	54,763,701	67,900,000	2,802,470
	- Preferred Stock	–	–	–	783,801,700	–	–
b.	Reserves and Surplus	(90,978,579)	22,425,462	22,474,119	456,671,462	100,122,048	(3,096,252)
c.	Total Assets	296,393,757	88,994,971	50,145,913	1,302,248,687	2,205,876,642	2,573,052
d.	Total Liabilities	296,393,757	88,994,971	50,145,913	1,302,248,687	2,205,876,642	2,573,052
e.	Details of Investment (except in case of investment in subsidiaries)	–	–	–	–	23,718,693	–
f.	Turnover	1,435,352,479	164,459,831	112,370,264	19,934,330	5,495,422,051	–
g.	Dividends from Subsidiary	–	–	–	–	–	–
h.	Profit before Taxation	21,167,352	5,872,213	8,504,187	(16,800,316)	(230,466,953)	(3,096,252)
i.	Provision for Taxation	2,619,913	–	2,712,646	1,607,690	63,829,123	–
j.	Minority Interest	–	–	–	–	10,216,845	–
k.	Profit after Taxation and Minority Interest	18,547,439	5,872,213	5,791,541	(15,192,626)	(304,512,921)	(3,096,252)
l.	Proposed Dividend	–	–	–	–	–	–

(* formerly Offshore Digital Services Inc., USA)

Note : The above information has been furnished as per the requirement of Department of Company Affairs letter

Conversion rate considered to arrive the above information is US Dollar = ₹ 50.88, Euro = ₹ 67.90 and GBP= ₹ 81.53

Sonata Information Technology Limited

DIRECTORS' REPORT

TO THE MEMBERS OF SONATA INFORMATION TECHNOLOGY LIMITED

Your Directors have pleasure in presenting the Twelfth Annual Report of your Company along with the audited Statement of Accounts for the year ended 31st March, 2012.

FINANCIAL HIGHLIGHTS

(₹ in million)

	Year ended 31.03.2012	Year ended 31.03.2011
1. Total Income	8007.93	6060.65
2. Total Expenditure	7977.90	5884.71
3. Profit before Interest and Depreciation	30.02	175.94
4. Finance cost	125.21	50.40
5. Depreciation	1.09	1.59
6. Profit after Interest and Depreciation but before Tax	(96.28)	123.94
7. Provision for Tax	1.10	39.12
8. Profit after Tax	(97.38)	84.82

DIVIDEND

Your Directors do not recommend any dividend for the financial year ended 31st March, 2012.

BUSINESS REVIEW

The business of your Company can be classified into two broad areas:

A. PRODUCTS

During the year under review, your Company has increased number of sizable customers for products and services business. It has also won multi-year contracts for Infrastructure Managed Services from its clients. Your Company has consolidated its position in the Indian market and attained top position in most of the business lines in which it is dealing. It has also won awards from various principals during the year. Your Company's strategy for the current financial year is to add and retain more customers and provide more value added services to them. Your Company is also planning to add more value added products to its portfolio which can give higher returns to your Company.

B. BUSINESS SOLUTIONS

During the year under review, your Company has shown strong growth across all the service offerings. Client additions for end-to-end ERP implementation solutions were commendable. Your Company made significant client additions across all its ERP offerings. In addition, your Company moved beyond

shores to win its first new client in Singapore with a large win for engineering work on AX for one of the largest media and advertising Company in the world.

During the year, your Company's strategy of addressing select enterprise class clients paid rich dividends. Our relationship with enterprise clients have become deeper and have extended our engagements in multiple technology and service offerings. A notable client win in the non-ERP services is a large travel house where your Company is developing an end-to-end solution to meet their business needs.

Your Company continues to enjoy preferred partner status from all key principals. In particular, SAP has accorded us with an award for the "Best VAR of Year" across the APJ region.

Detailed Management review and performance summary during the year under review on each of the above business heads has been given elsewhere in the Annual Report of 2011-12.

QUALITY

During the year under review, your Company continued to update its Quality Management System (QMS). Your Company has been able to achieve a better satisfaction level of its customers. Regular surveillance audits as per ISO 9001:2008 have been successfully completed, ensuring that an objective feedback is obtained on the definition and implementation of processes.

RECOGNITION

During the year under review, your Company was recognized as the Best VAR in APJ by SAP, Top Performing Partner in India Financial Year 2011 by Quest Software, IBM Best WebSphere Partner in India for 2010 and Most Promising IBM Rational Partner Award for 2010 for offering best set of services to customers, with the highest levels of professionalism, resulting in greater customer satisfaction.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors, to the best of their knowledge and belief, state that the Company maintains proper accounting records which disclose with reasonable accuracy, the financial position of the Company.

Further, your Directors state that these accounting records have formed the basis for the preparation of financial statements of the Company in compliance with the provisions of the Companies Act, 1956, including any amendments thereto.

Your Directors also confirm compliance that the financial statements of the Company are prepared in such manner to give a true and fair view of the state of affairs of the Company as at the end of 31st March, 2012 and of the profit of the Company for the year to that date.

Your Directors state that in preparing the aforesaid financial statements of the Company, appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates, whilst applicable accounting standards have been followed and that these financial statements have been prepared on a going-concern basis.

Further your Directors, to the best of their knowledge and belief, state that appropriate internal control systems are in place which are reasonably expected to safeguard the assets of the Company and to prevent and detect fraud and irregularities.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE

Your Company has nothing to report on energy conservation and technology absorption as required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

Foreign Exchange outgo on account of Travelling, Royalty, Import of traded products, etc was ₹3719.22 million and foreign exchange inflow on account of software services rendered and sales of traded products exports was ₹235.29 million.

PUBLIC DEPOSITS

Your Company has not accepted any deposits from the public during the year under review.

SHIFTING OF CORPORATE OFFICE

During the year, with a view to economize operational costs, your Company has shifted its Corporate Office from 193, R V Road, Basavangudi, Bangalore – 560 004, India to 1st Floor, APS Trust Building, Bull Temple Road, N R Colony, Bangalore – 560 019, India.

PERSONNEL

The Company has no employees in the category specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011.

DIRECTORS

Mr. P Srikar Reddy, Director retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

During the year, Mr Sanjay Viswanathan was inducted as an Additional Director on the Board of the Company. However, due to personal reasons he has since resigned from the Directorship with effect from 14th February, 2012.

Mr. Venkatraman N was co-opted as an Additional Director from 12th March, 2012 and holds office upto the date of the ensuing Annual General Meeting. Your approval is sought for appointing him as Director at the ensuing Annual General Meeting whose office shall be liable to retire by rotation.

AUDITORS

M/s N M Rajji & Co., Chartered Accountants, Mumbai, the Statutory Auditors of your Company, who hold office until the conclusion of the forthcoming Annual General Meeting being eligible, offer themselves for re-appointment. Accordingly, the members may re-appoint M/s N M Rajji & Co., as Statutory Auditors of the Company for the financial year 2012-13.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to thank all Principals, Customers, Vendors, Business Partners, Bankers, Financial Institutions and Regulatory authorities for their continued support. Your Directors also place on record their appreciation to the dedicated and committed team of employees for their valuable contribution to the Company during the year under review.

For and on behalf of the Board

Place : Bengaluru
Date : 23rd May, 2012

P SRIKAR REDDY
Director

Sonata Information Technology Limited

MANAGEMENT REVIEW – INDIAN OPERATIONS

1. Revenues

Revenue has been increased by 31.78 % to ₹ 7935.17 million during the year ended 31st March, 2012.

a) Products Business:

Products Business Group constituted 97.19 % of the turnover of Indian Operations. There has been an increase of 32.06% in the performance during the year ended 31st March, 2012 as compared to the same period in the last year.

b) Business Solutions:

Business Solutions Group constituted 2.81% of the turnover of Indian Operations.

2. Operating Expenses

The operating expenses increased by 10.60% to ₹ 600.77 million for the year ended 31st March, 2012 from ₹ 543.20 million for the same period last year.

3. EBITDA

The operating margin decreased by 82.93% at ₹ 30.03 million for the year ended 31st March, 2012 as compared to ₹ 175.93 million for the same period last year.

4. Profit After Tax

Profit after Tax decreased by 214.82% at ₹ -97.38 million for the year ended 31st March, 2012 as compared to ₹ 84.82 million for the same period last year.

5. Interest and Borrowings

The Interest on borrowings has increased by 148.44% to ₹ 125.21 million for the year ended 31st March, 2012 from ₹ 50.40 million for the same period last year. The interest is due to utilization of fund-based facilities & bill discounting with banks and inter corporate deposit from holding company in order to meet its working capital requirements.

6. Capital Employed

The Return on Average Capital Employed (ROCE) was at 3.12% for the year ended 31st March, 2012 as compared to 13.29% for the same period last year.

7. Net Worth

The Return on Average Net worth (RONW) was at -24.51% for the year ended 31st March, 2012 as compared to 21.26% for the same period last year.

8. Receivables

Debtors as number of days' sales stood at 34 days for the year ended 31st March, 2012 as compared to 55 days for the same period last year.

9. Manpower

The total employee strength as on 31st March, 2012 was 126 as compared to 135 as on 31st March, 2011.

PERFORMANCE SUMMARY

1. Revenue

For the year ended 31st March, 2012

- a. Revenue from Products Business was ₹ 7711.83 million.
- b. Revenue from Business Solutions was ₹ 223.00 million.

2. EBITDA

EBITDA for the year ended 31st March, 2012 was 0.38% of Total Income as compared to 2.92% for the same period last year.

3. Profit After Tax (PAT)

- a. PAT for the year ended 31st March, 2012 was at ₹ -97.38 million as against ₹ 84.82 million for the same period last year.
- b. Profit Margin at -1.22% as compared to 1.40% for the same period last year.

Sonata Information Technology Limited

AUDITOR'S REPORT

TO THE MEMBERS OF SONATA INFORMATION TECHNOLOGY LIMITED

We have audited the attached Balance Sheet of **SONATA INFORMATION TECHNOLOGY LIMITED**, as at 31st March 2012, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 duly amended by DCA notification G.S.R. 766(E) dated 25th November, 2004 (hereinafter to be referred to as "the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books;
3. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable;
5. On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
- b. In the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- c. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **N M Raiji & Co.**,
Chartered Accountants
Registration No.: 108296W

CA. Y N THAKKAR

Partner

Place : Mumbai
Date : 24th May, 2012

Membership No.: 33329

ANNEXURE TO THE AUDITOR'S REPORT OF EVEN DATE

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) Physical verification of major assets was conducted by the Management during the year, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification as compared with the book records.
- (c) During the year, the Company has not disposed off substantial part of its fixed assets.
- (ii) (a) The stock of inventory has been physically verified at reasonable intervals during the year by the Management.
- (b) The procedures for physical verification of inventory followed by the Management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventory and no discrepancies were noticed on physical verification as compared with the book records.
- (iii) (a) The Company has not granted any loans, secured or unsecured, during the year to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

- Accordingly, sub-clause (b), (c) and (d) of paragraph 4 (iii) of the Order are not applicable.
- (b) The Company has not taken any loans, secured or unsecured, during the year from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub-clause (f) and (g) of paragraph 4 (iii) of the Order are not applicable.
- (iv) In our opinion, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- (v) There are no transactions that need to be entered into the register in pursuance of Section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from the public.
- (vii) The Company has an adequate internal audit system, which was conducted by an independent firm of Chartered Accountants, which in our opinion is commensurate with the size and nature of its business.
- (viii) According to the information and explanation given to us, maintenance of cost records have not been prescribed by the Central Government under Section 209(1) (d) of the Act.
- (ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax custom duty, excise, cess and any other statutory dues applicable to it.
- (b) The dues of income tax and sales tax that have not been deposited on account of dispute, the amount involved and the forum where the dispute is pending is detailed in the statement attached.
- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit / nidhi / mutual benefit fund / society.
- (xiv) Proper records have been maintained of the transactions and contracts in relation to investments and timely entries have been made therein. There are no investments held by the Company as at the end of the year.

- (xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company has not obtained any term loans.
- (xvii) Funds raised on short-term basis have not been used for long-term investments.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) Based upon the audit procedures performed and information and explanations given by the Management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **N M Raiji & Co.**
Chartered Accountants
Registration No.: 108296W

CA. Y N THAKKAR

Place : Mumbai
Date : 24th May, 2012

Partner
Membership No.: 33329

Statement forming part of Audit Report – Clause (ix)(b)

Name of the Statute	Nature of Dues and Period	Amount in (₹ in crores)	Forum where dispute is pending
Income Tax Act, 1961	Income Tax and interest thereon for A. Y. 2008-09	35.76	Income Tax Appellate Tribunal
	Tax not Deducted at Source on payments and interest thereon for A.Y. 2001-02 and 2002-03	21.82	Supreme Court
Karnataka VAT Act, 2003	Sales Tax of 2001-02	0.01	The Joint Commissioner of Commercial Taxes (Appeals), Bangalore

For **N M Raiji & Co.**
Chartered Accountants
Registration No.: 108296W

CA. Y N THAKKAR

Place : Mumbai
Date : 24th May, 2012

Partner
Membership No.: 33329

Sonata Information Technology Limited

BALANCE SHEET AS AT 31ST MARCH, 2012

(₹)

	Note	AS AT 31.03.2012	AS AT 31.03.2011
EQUITY AND LIABILITIES			
SHAREHOLDER'S FUNDS			
Share capital	2	33,753,940	33,753,940
Reserves and surplus	3	314,922,372	412,306,710
		348,676,312	446,060,650
NON-CURRENT LIABILITIES			
Long-term provisions	4	1,161,382	1,047,564
		1,161,382	1,047,564
CURRENT LIABILITIES			
Trade payables		1,325,423,364	934,337,291
Short-term borrowings	5	486,838,058	501,646,719
Other current liabilities	6	161,952,520	136,951,715
Short-term provisions	7	488,439	447,057
		1,974,702,381	1,573,382,782
TOTAL ASSETS		2,324,540,075	2,020,490,996
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	8	4,089,425	2,489,048
Intangible assets	9	63,842	108,904
Capital work-in-progress		-	1,012,000
		4,153,267	3,609,952
Deferred tax assets (net)	10	6,875,634	4,629,282
Long-term loans and advances	11	396,000	4,022,566
		11,424,901	12,261,800
CURRENT ASSETS			
Inventories	12	336,530,335	22,054,239
Trade receivables	13	736,524,244	900,173,232
Cash and cash equivalents	14	99,658,640	103,957,547
Short-term loans and advances	15	1,129,942,804	963,024,481
Other current assets	16	10,459,151	19,019,697
		2,313,115,174	2,008,229,196
TOTAL		2,324,540,075	2,020,490,996

Significant accounting policies and notes on accounts

1 - 32

As per our Report annexed

For N M RAJI & Co.

Chartered Accountants

CA. Y N THAKKAR

Partner

Membership No.: 33329

For and on behalf of the Board of Directors

P SRIKAR REDDY

Director

VENKATRAMAN NARAYANAN

CFO & Director

SUJIT MOHANTY

VP & Director

FEROZA BYRAMJI

Company Secretary

Mumbai, 24th May, 2012

Bengaluru, 23rd May, 2012

Sonata Information Technology Limited

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

(₹)

	Note	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
INCOME			
Revenue from operations	19.1	7,935,166,810	6,021,476,365
Other income	19.2	72,763,908	39,171,363
Total Income		8,007,930,718	6,060,647,728
EXPENDITURE			
Purchase of traded items		7,691,605,325	5,286,283,001
Employee benefit expenses	20	271,960,357	215,584,115
Other operating expenses	21	328,812,746	327,614,174
Total Expenditure		8,292,378,428	5,829,481,290
Add / (Less) : (increase) / decrease in inventories	22	(314,476,096)	55,232,337
		7,977,902,332	5,884,713,627
Earnings before interest, tax, depreciation and amortization (EBITDA)		30,028,386	175,934,101
Finance costs	23	125,213,364	50,399,533
Depreciation and amortization expense		1,094,436	1,594,956
		126,307,800	51,994,489
Profit / (Loss) Before Tax		(96,279,414)	123,939,612
Tax expense			
Current tax		3,351,277	42,498,934
Deferred tax		(2,246,353)	(3,377,087)
Total Tax Expense		1,104,924	39,121,847
Profit / (Loss) After Tax for the year		(97,384,338)	84,817,765
Significant accounting policies and notes on accounts	1-32		
EPS - Basic (on ₹ 10 per share)		(28.85)	25.13
EPS - Diluted (on ₹ 10 per share)		(28.85)	25.13

As per our report annexed

For **N M RAIJI & Co.**
Chartered Accountants

CA. Y N THAKKAR
Partner
Membership No.: 33329

For and on behalf of the Board of Directors

P SRIKAR REDDY
Director

VENKATRAMAN NARAYANAN
CFO & Director

SUJIT MOHANTY
VP & Director

FEROZA BYRAMJI
Company Secretary

Mumbai, 24th May, 2012

Bengaluru, 23rd May, 2012

NOTES FORMING PART OF THE ACCOUNTS

Sonata Information Technology Limited ("SITL or the Company") is a Company registered in India with its registered office at Mumbai and operationally headquartered out of Bangalore. SITL is a wholly owned subsidiary of Sonata Software Limited and is primarily engaged in the business of providing Information Technology Solutions, software development services and re-selling products of reputed companies such as Microsoft, IBM, Oracle etc. to its customers in India and the Asia Pacific Region.

1. (i) Basis for preparation of Financial Statements

The financial statements are prepared in accordance with the Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on accrual basis.

All accounts unless otherwise specified are in Indian Rupees.

(ii) Significant Accounting Policies**a) TANGIBLE & INTANGIBLE FIXED ASSETS AND DEPRECIATION**

Fixed assets are stated at cost less depreciation and impairment, if any. For this purpose cost comprises of cost of acquisition and all costs directly attributable to bringing the asset to the present condition for its intended use.

Depreciation has been provided on Building & Plant & Machinery, on straight-line basis and on other assets on written down value at the rate specified in Schedule XIV of the Companies Act, 1956 as amended or at the rates as per Company's depreciation policy for the following items:

Rates of Depreciation

	Sch. XIV Rate	Rate Adopted
Computers & Software	16.21 %	33.33 %

Leasehold improvements are stated at cost and are amortized over the lease period.

b) INVENTORIES

Finished goods are valued at lower of cost (weighted average) or net realizable value.

Software products developed / under development are stated at cost. Software development cost incurred on products ready for marketing are amortized equally over a period of three years or earlier based on Management's evaluation of expected sales volumes and duration of the product life cycle.

c) REVENUE RECOGNITION

Sales are recognized on dispatch of goods to the customer. Technical Service Contracts / Software Revenue is recognized on the basis of achievement of prescribed milestones as relevant to each contract or proportionate completion method as applicable.

d) FOREIGN CURRENCY TRANSACTIONS

Purchases and Sales are accounted at daily rates. Exchange fluctuations arising on payment or realization are dealt with in the Profit and Loss Account. Monetary Assets and Monetary Liabilities are restated at the year-end closing rate as applicable and any differences arising thereof have been dealt with in the Profit and Loss Account to the extent it pertains to the current year.

e) DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

The Company has adopted Accounting Standard 30 (AS 30) "Financial Instruments : Recognition and Measurement". Based on the Recognition and Measurement principles set out in the AS 30, changes in the fair values of derivative financial instruments designated as effective cash flow hedges are recognized as "Hedging Reserve" directly in the Balance Sheet under Reserves & Surplus and later reclassified into the Statement of Profit and Loss upon occurrence of the hedged transaction. Changes in the fair value of ineffective cash flow hedges are recognized in the Statement of Profit and Loss as they arise.

f) EMPLOYEE BENEFITS**(i) Defined Contribution Plan :**

Company's contributions paid / payable during the year to Superannuation Fund, ESIC, Pension Fund and Labour Welfare Fund are recognized in the Profit and Loss Account. There are no other obligations other than the contribution payable to the respective trust. Company's Contribution towards Superannuation and ESIC is based on a percentage of salary which is made to an approved fund.

(ii) Defined Benefit Plan :

Company's Contribution towards Provident Fund is based on a percentage of salary which is made to an approved fund.

Company's Contribution towards Gratuity is made to an approved fund as per actuarial valuation certificate obtained from an actuary which is determined using projected unit credit method.

(iii) Short-Term Employee Benefit :

Short-term employee benefits are recognized in the Statement of Profit and Loss Account relating to the year in which the employee has rendered services.

(iv) Long-Term Employee Benefit :

Long-term compensated absences are provided as per actuarial valuation certificate obtained from an actuary which is determined using projected unit credit method.

(v) Actuarial gains / losses are immediately taken to Statement of Profit and Loss and are not deferred.

2. Share capital**a) Break-up of equity shares**

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Authorized 10,000,000 equity shares of ₹ 10/- each (Previous period 10,000,000 equity shares of ₹ 10/- each)	100,000,000	100,000,000
Issued 6,000,700 equity shares of ₹ 10/- each (Previous period 6,000,700 equity shares of ₹ 10/- each)	60,007,000	60,007,000
Subscribed and paid-up 3,375,394 equity shares of ₹ 10/- each (100% Held by holding company - Sonata Software Limited) (Previous period 3,375,394 equity shares of ₹ 10/- each)	33,753,940	33,753,940

b) Reconciliation of equity shares outstanding at the beginning and at the end of the year 31.03.2012

	AS AT 31.03.2012		AS AT 31.03.2011	
	No. of Shares	(₹)	No. of Shares	(₹)
At the beginning of the year	3,375,394	33,753,940	3,375,394	33,753,940
Movement during the year	-	-	-	-
Outstanding at the end of the year	3,375,394	33,753,940	3,375,394	33,753,940

c) Terms / Rights attached to equity shares

The company has equity shares having a par value of ₹ 1. Each Shareholder is entitled for one vote per share. The shareholders have the right to receive interim dividends declared by the Board of Directors and final dividend proposed by the Board and approved by the shareholders.

In the event of liquidation by the Company, the holders of the equity shares will be entitled to receive in proportion to the number of equity shares held by them, the remaining assets of the Company, after distribution of preferential amounts.

The shareholders have all other rights as available to equity shareholders as per the provisions of the Companies Act, 1956, read together with the Memorandum of Association and Articles of Association of the Company, as applicable.

d) Equity Shares held by holding company

The entire equity share of the Company is held by the holding Company Sonata Software Ltd.

e) Shareholders holding more than 5% of equity shares in the Company (as certified by the Management)

	AS AT 31.03.2012		AS AT 31.03.2011	
	No. of Shares	% Holding	No. of Shares	% Holding
Sonata Software Ltd. (Holding Company)	3,375,394	100	3,375,394	100

As per the records of the company including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

f) Equity Shares bought back during last five years

The Company has bought back the shares from holding Company Sonata Software Ltd, 1,500,175 equity shares during 2006-07 and 1,125,131 equity shares during 2007-08.

3. Reserves and surplus

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Capital redemption reserve*	26,253,060	26,253,060
Profit and loss account		
Balance brought forward	386,053,650	301,235,885
Add: Surplus / (Deficit) for the year	(97,384,338)	84,817,765
	288,669,312	386,053,650
	314,922,372	412,306,710

*(Capital redemption reserve created on account of buyback of the shares)

4. Long-term provisions

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Provision for employee benefits		
Leave benefits	1,161,382	1,047,564
	1,161,382	1,047,564

5. Short-term borrowings

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
From banks		
Standard Chartered Bank	-	117,646,720
CITI Bank	-	100,000,000
BNP Paribas	-	50,000,000
Axis Bank	-	40,000,000
ING Vysya Bank	306,838,058	-
Inter corporate deposit from holding company	180,000,000	194,000,000
	486,838,058	501,646,720

a) Short-term borrowings from banks represent the working capital facility of the Company which is payable on demand, from Standard Chartered Bank, Citi Bank, BNP Paribas, Axis Bank Ltd. and ING Vysya Bank and is secured by Pari passu first charge on all the current assets of the Company both present and future including stocks, book debts and other current assets wherever located.

Sonata Information Technology Limited

Notes (Contd.)

b) Inter corporate deposit from Sonata Software Ltd., the holding company which is payable on demand and is not secured.

6. Other current liabilities

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Payable to employees	1,355,436	2,121,770
Statutory payable	129,678,511	118,353,703
Payable for capital goods	1,736,460	1,749,612
Provision for expenses	20,408,988	5,697,761
Advance received from customers	7,986,517	8,670,005
Others	786,608	358,864
	161,952,520	136,951,715

7. Short-term provisions

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Provision for employee benefits		
Leave benefits	488,439	447,057
	488,439	447,057

8. Tangible assets

(₹)

Assets	Gross Block				Depreciation				Net Block
	Cost as at 01.04.2011	Additions	Deductions / Adjustments	Cost as at 31.03.2012	As at 01.04.2011	For the Year	Deductions / Adjustments	As at 31.03.2012	As at 31.03.2012
Leasehold improvements	3,826,190 (3,826,190)	- (-)	- (-)	3,826,190 (3,826,190)	3,104,757 (2,800,989)	304,601 (303,767)	- (-)	3,409,358 (3,104,756)	416,832 (721,434)
Plant and equipment	20,238,830 (20,183,476)	2,584,413 (55,354)	318,466 (-)	22,504,777 (20,238,830)	20,046,321 (19,082,753)	485,036 (963,569)	318,466 (-)	20,212,891 (20,046,322)	2,291,886 (192,508)
Furniture and fixtures	3,508,284 (3,508,284)	50,000 (-)	11,498 (-)	3,546,786 (3,508,284)	2,769,061 (2,605,687)	142,803 (163,374)	10,336 (-)	2,901,528 (2,769,061)	645,258 (739,223)
Office Equipments	2,404,891 (2,376,673)	16,500 (28,218)	- (-)	2,421,391 (2,404,891)	1,569,008 (1,431,081)	116,934 (137,927)	- (-)	1,685,942 (1,569,008)	735,449 (835,883)
Total	29,978,195 (29,894,623)	2,650,913 (83,572)	329,964 (-)	32,299,144 (29,978,195)	27,489,147 (25,920,510)	1,049,374 (1,568,637)	328,802 (-)	28,209,719 (27,489,147)	4,089,425 (2,489,048)

9. Intangible assets

(₹)

Assets	Gross Block				Depreciation				Net Block
	Cost as at 01.04.2011	Additions	Deductions / Adjustments	Cost as at 31.03.2012	As at 01.04.2011	For the Year	Deductions / Adjustments	As at 31.03.2012	As at 31.03.2012
Computer software	2,167,670 (2,032,448)	- (135,222)	- (-)	2,167,670 (2,167,670)	2,058,766 (2,032,449)	45,062 (26,318)	- (-)	2,103,828 (2,058,767)	63,842 (108,903)

10. Deferred tax assets (net)

Significant component of Company's Deferred Tax Asset (Liability) are as follows:

(₹)

	DTA	DTL	Net DTA / (DTL)
Depreciation	594,593 (875,221)	- (-)	594,593 (875,221)
Others	8,022,642 (3,754,061)	1,741,601 (-)	6,281,041 (3,754,061)
	8,617,235 (4,629,282)	1,741,601 (-)	6,875,634 (4,629,282)

11. Long-term loans and advances

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Unsecured (considered good, unless otherwise stated)		
Security deposits	396,000	4,022,566
	396,000	4,022,566

12. Inventories

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Stock-in-trade	192,078,387	22,054,239
Material-in-transit	144,451,948	-
	336,530,335	22,054,239

13. Trade receivables (unsecured)

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Debts outstanding for a period exceeding six months from the date they are due for payment		
Considered good	32,302,801	39,665,797
Considered Doubtful	24,726,904	4,047,294
	57,029,705	43,713,091
Other debts : Considered good	704,221,443	860,507,435
	761,251,148	904,220,526
Less : Provision for doubtful receivables	24,726,904	4,047,294
	736,524,244	900,173,232

14. Cash and cash equivalents

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Cash on hand	-	34,043
Balances with banks		
In Current accounts	47,735,570	60,299,790
Margin money deposit	51,923,070	43,623,714
	99,658,640	103,957,547

15. Short-term loans and advances

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Unsecured (considered good, unless otherwise stated)		
Security deposits	11,061,873	12,474,136
Employee advances	1,070,688	1,537,011
Prepaid expenses	5,609,300	7,902,987
Advance payment of taxes (net of provisions)	975,022,791	785,982,583
Service tax & VAT Input (net)	134,255,677	151,706,768
Interest accrued on term deposits	515,079	798,068
Other recoverables	2,407,396	2,622,928
	1,129,942,804	963,024,481

16. Other current assets

(₹)

	AS AT 31.03.2012	AS AT 31.03.2011
Income accrued but not due	10,459,151	19,019,697
	10,459,151	19,019,697

17. Contingent Liabilities (as certified by the Management)

a) Disputed Karnataka Sales Tax demand for FY 2001-02 is ₹ 294,017 (₹ 294,017).

b) Contingent Liabilities not provided for: (₹)

	31.03.2012	31.03.2011
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Disputed Income

Tax demands 3,076,554,645 269,094,608

(a) Disallowance of Inter-Company service charges and costs for deputation of personnel.

Sonata Software Limited, the holding company charges the Company for certain support services rendered and for the cost of project personnel deputed. These support services and costs for deputation are being disallowed by the Income Tax department while computing taxable profits of the Company. The Company has challenged these disallowances and consequent demands at appellate levels and is confident of a favorable outcome. Details of demands and forums where they are pending are:

- I. ₹ 147,372,612 for the financial years 2001-2002, 2003-2004, and 2004-2005. The Company has received favorable orders from the Income Tax Appellate Tribunal for all of the above years. The Income Tax department has preferred an appeal to the Honorable High Court of Mumbai on the above orders in-so far as they relate to amounts covering inter-company service charges. (Previous year – ₹ 147,372,612).
- II. ₹ 44,659,336 for the financial year 2002-2003. In this case, the Income Tax department's appeal to the Honorable High Court of Mumbai was time-barred and hence dismissed. The Income Tax department had preferred a Special Leave Petition on the said dismissal to the Honorable Supreme Court of India which has referred the petition back to the Honorable High Court of Mumbai with a request to reconsider its decision. (Previous year – ₹ Nil).
- III. ₹ 83,328,733 for financial year 2006-2007. The Company has received a favorable order from the Commissioner of Income Tax (Appeals) for the said year. During the year, the Income Tax department has preferred an appeal to Income Tax Appellate Tribunal on the said order. (Previous year- ₹ Nil).

- IV. ₹ 120,175,810 for financial Year 2007-2008. The Company has received unfavorable orders from the Commissioner of Income Tax (Appeals) and has now preferred an appeal on the same to the Income Tax Appellate Tribunal. (Previous year – ₹ 121,721,996).
- V. ₹ 98,468,823 for the financial year 2008-2009 based on disallowances at the initial stage of assessment. This demand has been received during the year. (Previous year – ₹ Nil).

(b) **Withholding tax demand.**

The Company is engaged in the business of buying and selling packaged software in India. The Income Tax department has been contending that amounts paid by the Company for buying the software products is in the nature of 'royalty' and hence had to withhold Income Tax on the same as per the Income Tax Act, 1961. The Company's contention among others has been that the payments were made for purchase of 'goods' and hence was under no obligation to withhold Income Tax on the same. On this dispute the Company had received favorable orders from the Income Tax Appellate Tribunal which were during the year reversed by the Honorable High Court of Karnataka. The Company has preferred a Special Leave Petition Appeal on the said order to the Honorable Supreme Court of India, which has been admitted. Details of demands and the forums where they are pending are:

- I. ₹ 218,239,587 for the financial years of 2000-2001 and 2001-2002. However, for these years one of the principal suppliers of software to the Company has paid ₹ 128,598,266 out of the above demand. (Previous year – ₹ Nil).

(c) **Disallowance of payments made for purchase of software on which Income Tax was not withheld**

The demands made by the Income Tax department are consequent to the issue described in (b) above. Purchases on which Income Tax had not been withheld have been disallowed by the Income Tax department as an 'expense' as per Sections 40(a)(i) and 40(a)(ia) while computing taxable profits of the Company.

During the year, the Honorable High Court of Karnataka gave an unfavorable decision on the issue covered in (b) above. Taking cognizance of this, the Company has disclosed the demands raised pursuant to the disallowance under sections 40(a)(i) and 40(a)(ia) as contingent liabilities. However, the said

demands which are consequential and penal in nature do not arise automatically and there are multiple legal precedents in favor of the Company.

Based on legal opinions and feedback from its legal counsels, the Company is confident of a favorable outcome on these consequential demands.

Details of demands raised and the forums where they are pending are:

- I. ₹ 324,042,183 of tax demand for the financial year 2001-2002. The Company has received a favorable order from the Income Tax Appellate Tribunal. The Income Tax department has preferred an appeal to the Honorable High Court of Mumbai on the said order. The Honorable High Court has admitted this appeal. (Previous year – ₹ Nil).
- II. ₹ 502,168,458 for the financial year 2002-2003. In this case, the Income Tax department's appeal to the Honorable High Court of Mumbai was time-barred and hence dismissed. The Income Tax department had preferred a Special Leave Petition on the said dismissal to the Honorable Supreme Court who has referred the petition back to the Honorable High Court of Mumbai with a request to reconsider its decision. (Previous year – ₹ Nil).
- III. ₹ 656,349,017 for the financial year 2006-2007. The Company has received a favorable order from the Commissioner of Income Tax (Appeals). The Income Tax department has during the year preferred an appeal to Income Tax Appellate Tribunal on the said order. (Previous year – ₹ Nil).
- IV. ₹ 881,750,082 for the financial year 2007-2008. This demand has been raised by the Income Tax Officer during the initial stage of assessment. The Company has preferred an appeal on the said demand to the Commissioner of Income Tax (Appeals). (Previous year – ₹ Nil).

18. Commitments

a) Capital Commitments :

Estimated amount of contracts remaining to be executed and not provided

(Net of advances) is ₹ Nil (Previous Year ₹ 376,000).

b) Other commitments: *(as certified by the Management)*

Forward contracts to buy US \$ outstanding as at 31.03.2012 is ₹ 329,899,205 (Previous Year ₹ 469,853,331).

19.1 Revenue from operations

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Revenue from traded products	7,711,831,557	5,839,812,738
Revenue from services	223,002,515	149,660,208
Other operating revenues	332,738	32,003,419
	7,935,166,810	6,021,476,365

19.2 Other income

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Net gain on sale of fixed assets	54,106	-
Provision no longer required (net)	2,554,213	1,540,731
Interest income	70,155,589	37,502,665
Dividend income	-	127,967
	72,763,908	39,171,363

20. Employee benefits expense

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Salaries, wages, bonus and allowances (Including Directors remuneration)	96,825,083	87,046,608
Contribution to provident fund and other funds	6,665,032	6,460,426
Staff welfare expenses	970,820	766,764
	104,460,935	94,273,798
Deputation cost to holding company	167,499,422	121,310,317
	271,960,357	215,584,115

21. Other operating expenses

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Power and fuel	849,185	1,046,631
Rent	14,245,420	13,286,503
Repairs to machinery	1,217,571	1,273,597
Insurance	274,576	725,487
Rates & taxes (excluding income tax)	2,162,872	1,970,072
Facility maintenance	3,722,288	3,502,598
Travelling and conveyance expenses	15,153,085	13,789,401
Legal, professional and technical fees	32,317,497	29,495,155
Sales commission	32,237,373	8,130,184
Communication cost	3,931,972	4,355,682
Net gain / loss on foreign currency transaction	33,671,833	55,197,592
Bad debts	71,844	18,169,429
Less : Provision for doubtful debts written back	-	4,289,607
	71,844	13,879,822

(Contd.)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Allowance for bad & doubtful debts	22,196,060	2,155,557
Payment to auditors		
As auditor	400,000	400,000
For other services	125,000	100,000
For reimbursement of expenses	112,373	-
	637,373	500,000
Miscellaneous expenses	10,998,721	14,800,002
	173,687,670	164,108,283
Service charges paid to holding company	155,125,076	163,505,891
	328,812,746	327,614,174

22. (Increase) / Decrease in inventories

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Opening Stock		
Stock-in-trade	22,054,239	77,286,576
Material-in-transit	-	-
	22,054,239	77,286,576
Closing Stock		
Stock-in-trade	192,078,387	22,054,239
Material-in-transit	144,451,948	-
	336,530,335	22,054,239
	(314,476,096)	55,232,337

23. Finance costs

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Interest expense	84,420,992	47,190,403
Other borrowing costs	19,748,218	10,611,733
Net gain / loss on foreign currency transaction	21,044,154	(7,402,604)
	125,213,364	50,399,532

24. Other notes

(₹)

	2011-2012	2010-2011
a) Value of Imports calculated on CIF basis		
Traded Goods	3,718,561,741	3,442,352,489
b) Expenditure incurred in Foreign currency on account of		
Travelling	602,008	31,000
Others	62,001	318,760
	664,009	349,760
c) Earnings in Foreign Exchange		
Software services rendered	27,872,473	9,986,255
Sales Traded Products	207,412,924	122,662,459
	235,285,397	132,648,714

25. Note on AS 30 Adoption

Accounting Standard 30, (AS 30) Financial Instruments: Recognition and Measurement was issued by the Institute of Chartered Accountants of India (ICAI) in December 2007. AS 30 becomes recommendatory in respect of accounting periods commencing on or after April, 2009 and mandatory in respect of accounting periods commencing on or after 1st April, 2011. ICAI has announced that the earlier adoption of AS 30 is encouraged.

From the financial year commencing 2008-09 the Company applied the recognition and measurement principles

as set out in AS 30 in accounting derivatives. Changes in fair values of derivative financial instruments designated as effective cash flow hedges were recognized directly into Hedging Reserve in the Balance Sheet under Reserves and Surplus and reclassified into Profit and Loss account upon the occurrence of the hedged transaction. Fair value hedges taken are recognized directly in to the profit and loss account.

As at 31st March, 2012, the Company recognized ₹ Nil (Nil) into "Hedging Reserve" due to changes in fair value of the effective cash flow hedges.

26. Related party transactions :

(as certified by the Management)

- a. The list of related parties and nature of their relationship is disclosed

KEY MANAGERIAL PERSONS AS ON 31.03.2012

Sujit Mohanty, Vice President & Director

OTHER RELATED PARTIES & NATURE OF RELATIONSHIP AS ON 31.03.2012

	List of related parties	Nature of Relationship
S B Ghia, Director of Sonata Software Ltd.	Bhupati Investments & Finance Pvt. Ltd.	Significant Influence (through VIPL); Spouse Mrs R S Ghia as Chairperson and brother's wife Mrs V D Ghia as Director
	Chika Pvt Limited	Son Mr N S Ghia as Chairman
	Viraj Investments Pvt Ltd (VIPL)	Son as Chairman and Spouse, Brother's wife are Directors
M D Dalal, Executive Vice Chairman of Sonata Software Ltd.	Daltreya Investment & Finance Pvt. Ltd.	Spouse & Sister are Directors
Viren Raheja, Director of Sonata Software Ltd.	Rajan B Raheja	Father
	Suman R Raheja	Mother
	Akshay R Raheja	Brother
	Excelsior Construction Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
	Gstaad Investments & Finance Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
P Srikar Reddy, Director of SITL	Trophy Investments & Finance Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
	Sonata Software Ltd.	Managing Director & CEO
	TUI InfoTec GmbH, Germany	Member of Supervisory Board
	Sonata Software FZ LLC, Dubai	Director
Venkatraman N, Director of SITL	Sonata Software FZ LLC, Dubai	Director
	Sonata Software North America Inc.	Director
	Govardhan Trading Company Pvt. Ltd.	Director & shareholder holding more than 2%
Sujit Mohanty		Director of SITL
Sonata Software Ltd.		Holding Company

Note : Above disclosures have been made by the Directors pursuant to the legal opinion from M/s Kanga & Co, Solicitors.

- b. Remuneration of VP & Director

(₹)

Name	Salary
Sujit Mohanty	4,116,427 (3,948,669)

Other Related Parties

Sonata Software Limited (SSL) is a company incorporated in India. SITL is a wholly owned subsidiary of SSL and both the Companies have three common Directors. Amounts included in the financial statements of the Company are in relation to administrative services normal business transactions with SSL, as given below:

	Balance as on 01.04.2011	Transaction during the year	Amount received / paid during the year	Balance as on 31.03.2012
Sales	- (-)	17,106,219 (13,564,970)	17,106,219 (13,564,970)	- (-)
Deputation Expenses	32,926,329 (13,568,370)	174,456,937 (121,310,317)	188,919,900 (101,952,358)	18,463,366 (32,926,329)
Service charges	41,922,159 (-)	155,125,076 (163,505,891)	177,367,043 (121,583,732)	19,680,192 (41,922,159)
Inter corporate deposit taken	194,000,000 (165,000,000)	2,030,800,000 (1,489,000,000)	2,044,800,000 (1,460,000,000)	180,000,000 (194,000,000)
Interest on Inter corporate deposit taken	- (-)	57,932,812 (21,925,636)	52,109,716 (21,925,636)	58,23,096 (-)
Others	16,294,325 (1,579,234)	17,660,732 (293,708,442)	31,918,746 (278,993,352)	2,036,311 (16,294,325)

Sonata Software Ltd has given corporate guarantee to IBM Ltd on behalf of Sonata Information Technology Limited for a value of ₹ 50,000,000 (Previous year ₹ 50,000,000).

Sonata Software FZ LLC, a company incorporated under the Registrar of Companies, The Dubai Technology and Media Free Zone Authority, Dubai, which is engaged in software development services. Sonata Software Ltd holds 100% equity in Sonata Software FZ LLC. Transactions with the Company included in the financial statements as 31st March, 2012 as follows:

Sonata Software FZ LLC				
	Balance as on 01.04.2011	Transaction during the year	Amount received / paid during the year	Balance as on 31.03.2012
Sales	- (1,247,110)	- (-)	- (1,247,110)	- (-)

27. Employee Benefits**(a) Gratuity :**

Defined benefit plan (Funded) - As per actuarial valuation as on March 31, 2012

	31.03.2012	31.03.2011
I Change in Obligation during the year		
1 Present value of Defined Benefit Obligation at beginning of the year	8,488,481	5,976,490
2 Current Service Cost	917,810	708,336
3 Interest Cost	700,300	493,060
4 Actuarial (Gains) / Losses	313,702	1,356,633
5 Benefits Paid	(114,681)	(46,038)
6 Present value of Defined Benefit Obligation at the end of the year	10,305,612	8,488,481

	31.03.2012	31.03.2011
II Change in Assets during the Year		
1 Plan assets at the beginning of the year	10,398,244	9,845,052
2 Expected return on plan assets	831,860	787,604
3 Contributions by Employer	-	-
4 Actual benefits paid	(114,681)	(46,038)
5 Actuarial Gains / (Losses)	(429,217)	(188,374)
6 Plan Assets at the end of the year	10,686,206	10,398,244
III Net Asset / (Liability) recognized in the Balance Sheet as at March 31, 2012		
1 Present Value of Defined Benefit Obligation	10,305,612	8,488,481
2 Fair value of plan assets	10,686,206	10,398,244
3 Fund status (Surplus / (Deficit))	380,594	1,909,763
4 Net Assets / (Liability)	380,594	1,909,763
IV Expenses recognized in the statement of Profit & Loss for the year ended March 31, 2012		
1 Current Service Cost	917,810	708,336
2 Interest Cost	700,300	493,060
3 Expected return on plan assets	(831,860)	(787,604)
4 Net Actuarial (Gains) / Losses	742,919	1,545,007
5 Total Expense	1,529,169	1,958,799
V The major categories of plan assets as a percentage of total plan		
Insurer Managed Funds	100%	100%
VI Actuarial Assumptions		
1 Discount Rate	8.50%	8.25%
2 Rate of return on plan assets	8.60% LIC (1994-96)	8% LIC (1994-96)
3 Mortality Table	Ultimate	Ultimate
4 Retirement Age	60 Years	60 Years

Amount recognized as an expense and included in Note 20 under "contribution to provident fund and other funds".

(b) Provident Fund :

The Guidance issued by the Accounting Standard Board (ASB) on implementing AS-15, Employee benefits (revised 2005) states that provident funds set up by employers which requires interest short fall to be met by the employer, needs to be treated as defined benefit plan. The fund does not have any existing deficit or interest shortfall.

The Actuarial Society of India has issued Guidance Note for the measurement of Provident Fund (PF) liabilities during the year. The Company's actuary has accordingly provided valuation confirming that there is no liability for shortfall in the PF interest earning for the year.

(c) **Basis used to determine expected rate of return on assets :**

The expected return on planned assets is based on market expectation at the beginning of the period for returns over the entire life of the related obligation. The Gratuity Scheme is invested in Group Gratuity Scheme with HDFC Standard Life Insurance Company Limited.

- (d) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

(e) Amounts for the current period are as follows: (₹)

	31.03.2012	31.03.2011	31.03.2010	31.03.2009
Present value of Defined benefit obligation	10,305,612	8,488,481	5,976,490	6,658,520
Fair Value of Plan Assets	10,686,206	10,398,244	9,845,052	8,124,651
Surplus / (deficit)	380,594	1,909,763	3,868,562	1,466,131

- (f) Estimated Contribution for the next year on account of gratuity ₹ 688,314 (₹ Nil)
- (g) Contribution / Provisions to superannuation, Pension and other funds stated under defined contribution plan is ₹ 2,658,926 (₹ 2, 388,950)

28. There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small, and Medium Enterprises Development Act, 2006 to whom the Company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made.

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

29. Tax expense

Current tax of ₹ 3,351,277 (₹ 42,498,934) shown under statement of profit and loss for the year ended 31st March, 2012 pertains to tax provided for earlier years (Nil).

30. Earnings per share (₹)

Particulars	2011-2012	2010-2011
Profit attributable to equity shareholders	(97,384,338)	84,817,765
Weighted average number of Equity Shares of ₹ 10/- each (No. of Shares)	3,375,394	3,375,394
Earnings per share – basic & diluted	(28.85)	25.13

31. Operating leases

The Company has various operating leases for office facilities and residential premises for employees that are renewable on a year basis, and cancelable at its option. Rental expenses for operating leases included in the Income statements for the year is ₹ 14,087,857 (₹ 13,251,701).

As of 31st March, 2012 future minimum lease payments for non-cancelable operating leases for the period up to which the lease is non-cancellable are provided below.

(₹)

Not later than one year	1,917,687 (1,184,040)
Later than one year and not later than 5 years	789,360 (404,228)
Later than 5 years	- (-)

32. Previous year's figures are shown in brackets and have been regrouped, wherever necessary to conform to current year's classification.

As per our report annexed

For **N M RAJI & Co.**
Chartered Accountants

CA. Y N THAKKAR
Partner
Membership No.: 33329

Mumbai, 24th May, 2012

For and on behalf of the Board of Directors

P SRIKAR REDDY
Director

VENKATRAMAN NARAYANAN
CFO & Director

Bengaluru, 23rd May, 2012

SUJIT MOHANTY
VP & Director

FEROZA BYRAMJI
Company Secretary

Sonata Information Technology Limited

CASH FLOW STATEMENT

(₹)

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit / (Loss) Before Tax	(96,279,414)	123,939,612
Adjustments for :		
Depreciation	1,094,436	1,594,956
Interest paid	125,213,364	50,399,533
Bad debts	71,844	18,169,429
Allowance for bad & doubtful debts	22,196,060	2,155,557
Provision no longer required (net)	(2,554,213)	(1,540,731)
Dividend income	-	(127,967)
(Profit) / Loss on sale of fixed assets	(54,106)	-
Operating Profit before Working Capital Changes	49,687,971	194,590,389
Adjustments for :		
Decrease / (Increase) in trade receivables	142,897,535	(133,025,734)
Decrease / (Increase) in inventories	(314,476,096)	55,232,337
Decrease / (Increase) in other current assets	8,560,546	1,234,053
Decrease / (Increase) in long-term loans and advances	3,626,568	5,273,317
Decrease / (Increase) in short-term loans and advances	22,121,886	91,434,720
(Decrease) / Increase in trade payables	391,086,072	(15,093,215)
(Decrease) / Increase in other current liabilities	20,784,629	(9,974,580)
(Decrease) / Increase in long-term provisions	113,818	(184,691)
(Decrease) / Increase in short-term provisions	41,382	447,057
Cash generated from operations:	324,444,311	189,933,653
Direct taxes / advance tax paid (net)	(192,391,485)	(240,345,089)
Net Cash from Operating Activities	(A) 132,052,826	(50,411,436)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets, including intangible assets,		
Capital work in progress	(1,625,761)	(218,793)
Proceeds from sale of fixed assets	55,267	-
Dividend received	-	127,967
Net Cash from Investing Activities	(B) (1,570,494)	(90,826)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid on Inter corporate deposit	(119,972,578)	(50,399,533)
Borrowings from banks - Working capital facility (net)	(808,661)	29,000,000
Inter corporate loan from holding company (net)	(14,000,000)	88,646,719
Net cash from Financing Activities	(C) (134,781,239)	67,247,186
Net Increase / (Decrease) in Cash and Cash Equivalents	(A)+(B)+(C) (4,298,907)	16,744,924
Opening Cash and Cash Equivalents	103,957,547	87,212,623
Closing Cash and Cash Equivalents	99,658,640	103,957,547

Notes :

1. Cash and Cash Equivalents:

Cash and Cash Equivalents consists of cash on hand and balances with banks. Cash and Cash Equivalents included in the Cash Flow Statement comprise of the following Balance Sheet amounts:

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Cash on hand and balance with banks	100,403,511	104,393,086
Cash and Cash Equivalents	100,403,511	104,393,086
Effect of exchange rate change	(744,871)	(435,539)
Cash and Cash Equivalents as restated	99,658,640	103,957,547

(₹)

2. The Company has undrawn borrowing facilities of ₹ 300,000,000.

3. Previous year figures have been regrouped wherever necessary to confirm to current year classification.

As per our report annexed

For **N M RAIJI & Co.**
Chartered Accountants

CA. Y N THAKKAR
Partner
Membership No.: 33329

Mumbai, 24th May, 2012

For and on behalf of the Board of Directors

P SRIKAR REDDY
Director

VENKATRAMAN NARAYANAN
CFO & Director

Bengaluru, 23rd May, 2012

SUJIT MOHANTY
VP & Director

FEROZA BYRAMJI
Company Secretary

Sonata Software Limited

SHAREHOLDERS' INFORMATION FOR FY 2011-12

1. Annual General Meeting

The next Annual General Meeting of the Company will be held on Monday, 9th July, 2012 at 4.00 p.m. at

M.C.Ghia Hall, Bhogilal Hargovindas Building,
18/20, Kaikhushru Dubash Marg
(Behind Prince of Wales Museum),
Mumbai – 400 001.
Ph : (022) 22844350

2. Financial Year

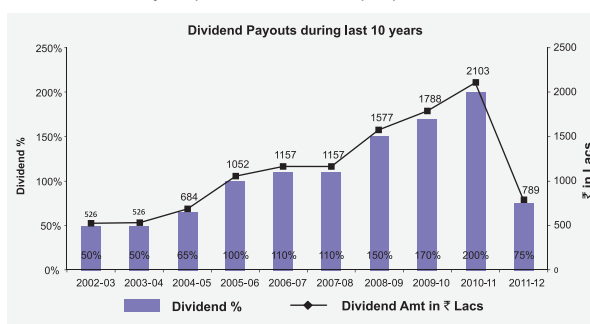
The financial year of the Company is from 1st April, 2011 to 31st March, 2012.

3. Book Closure

The Register of Members and Share Transfer Books will remain closed from 3rd July, 2012 to 9th July, 2012 (both days inclusive) to determine the entitlement of shareholders to receive the final dividend as may be declared for the financial year that ended on 31st March, 2012.

4. Payment of Dividend

The final dividend as recommended by the Board of ₹ 0.25 per equity share for the financial year ended 31st March, 2012, if approved at the forthcoming Annual General Meeting, will be paid on or after 15th July, 2012 to those members whose names appear in the Register of Members as on 2nd July, 2012. Dividend in respect of shares held in the electronic form will be payable to the beneficial owners of the shares as on 2nd July, 2012 as per details furnished by Depositories for this purpose.



5. Listing on Stock Exchanges & Stock Code

(a) Your Company's equity shares are listed & traded on the following stock exchanges :

Bombay Stock Exchange Ltd (BSE)
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai - 400 001
Stock Code : 532221

National Stock Exchange of India Ltd (NSE)
Exchange Plaza, 5th Floor, Plot No.C/1
G Block, Bandra-Kurla Complex, Bandra (E)
Mumbai - 400 051
Stock Code : Sonatsoftw

(b) Listing fees for the year 2011-12 have been paid to above stock exchanges.

(c) As on 31st March, 2012, your Company had 49825 shareholders.

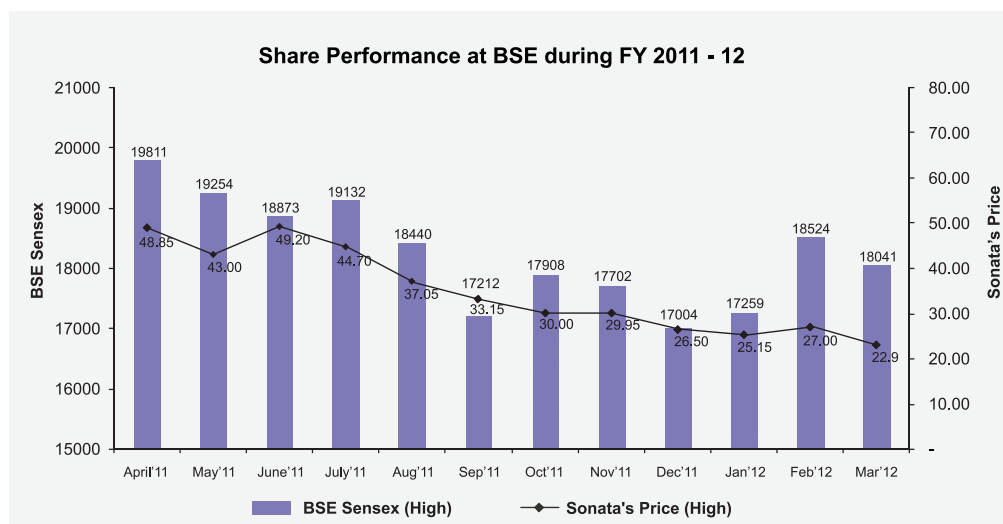
6. Stock Market Data

(a) Market Capitalization as on 31st March, 2012 : ₹ 189 Crores (based on closing price in BSE)

(b) Number of shares traded during FY 2011-12 : BSE : 417 Lacs & NSE : 742 Lacs.

(c) The monthly high and low quotations of shares traded at BSE and NSE during financial year 2011-12 and performance in comparison with BSE Sensex are as given below :

Month	BSE		NSE		BSE SENSEX	
	High (₹)	Low (₹)	High (₹)	Low (₹)	High	Low
April'11	48.85	38.50	49.50	40.60	19811	18976
May'11	43.00	36.75	42.90	36.75	19254	17786
June'11	49.20	37.55	49.30	37.00	18873	17314
July'11	44.70	35.60	44.80	36.00	19132	18132
Aug'11	37.05	28.90	37.10	29.00	18440	15766
Sep'11	33.15	27.00	33.00	27.00	17212	15801
Oct'11	30.00	26.80	29.95	26.00	17908	15745
Nov'11	29.95	22.50	34.00	22.50	17702	15479
Dec'11	26.50	20.90	26.60	20.75	17004	15136
Jan'12	25.15	20.10	25.25	20.00	17259	15358
Feb'12	27.00	22.30	27.00	22.35	18524	17062
Mar'12	22.90	17.50	22.95	17.10	18041	16921



7. Share Transfer System / Investor Service

As the Company's shares are traded in dematerialized form, transfer requests are processed and approved in electronic form by NSDL / CDSL through their depository participants. Transfer of shares in physical form are processed by our Registrar and Share Transfer Agents, Karvy Computershare Pvt Ltd. and approved by the Share Transfer Committee of the Company. Physical shares sent for transfer are registered and returned within an average period of 10 days from the date of receipt, that is, if documents submitted are clear in all respects.

Total number of physical shares transferred during FY 2011-12 :

Transfer period	No. of transferees (Folios)	No. of shares	Percentage
1-10 days	22	1011125	100%
Above 10 days	-	-	-
Total	22	1011125	100%

Details of complaints received and resolved from 1st April, 2011 to 31st March, 2012 :

Complaints	Received	Attended to	Pending
Non-receipt of dividend	61	61	-
Non-receipt of Annual Report	3	3	-
Complaints received from SEBI	1	1	-
Complaints received from stock exchanges	1	1	-
Total	66	66	-

8. Distribution of shareholding**(a) Distribution Schedule**

Range of equity shares held	As on 31 st March, 2012				As on 31 st March, 2011			
	No. of share holders	% to total holders	No. of shares	% to total shares	No. of share holders	% to total holders	No. of shares	% to total shares
1-500	37926	76.12	6634915	6.31	35369	77.90	5987453	5.70
501-1000	5870	11.78	5104549	4.85	5081	11.19	4472596	4.25
1001-5000	4682	9.40	11008304	10.47	3766	8.29	8973253	8.53
5001-10000	667	1.34	5041610	4.79	574	1.26	4419231	4.20
Over 10001	680	1.36	77369928	73.58	618	1.36	81306773	77.32
Total	49825	100.00	105159306	100.00	45408	100.00	105159306	100.00

(b) Shareholding Pattern

Category	As on 31 st March, 2012				As on 31 st March, 2011			
	No. of share holders	% to total holders	No. of shares	% to total shares	No. of share holders	% to total holders	No. of shares	% to total shares
Promoters	19	0.04	39786487	37.83	24	0.05	45471730	43.24
Bodies Corporate	902	1.81	10543002	10.03	892	1.96	8483294	8.06
FIs / NRIs	514	1.03	6397036	6.08	482	1.06	2016774	1.92
IFIs / Mutual Funds / Banks	6	0.01	638558	0.61	7	0.02	859782	0.82
Trusts	4	0.01	11250	0.01	6	0.01	5750	0.01
Clearing Members	87	0.17	384307	0.37	299	0.66	825659	0.79
Public	48293	96.93	47398666	45.07	43698	96.24	47496317	45.16
Total	49825	100.00	105159306	100.00	45408	100.00	105159306	100.00

9. Dematerialization of shares and liquidity

Your Company's shares are tradable only in electronic form. We have established connectivity with both the depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through our Registrars and Share Transfer Agents M/s Karvy Computershare Pvt Ltd.

The International Securities Identification Number (ISIN) allotted to our shares under the Depository System is INE269A01021.

Details of Shares held in Physical and Electronic form :

Particulars	As on 31 st March, 2012		As on 31 st March, 2011	
	No. of Shares	% of holding	No. of Shares	% of holding
Physical	4101410	3.90	4,919,520	4.68
Electronic	101057896	96.10	100,239,786	95.32
Total	105159306	100.00	105,159,306	100.00

Number of Shares dematerialized during FY 2011-12 : 918110 Shares.

Number of Shares rematerialized during FY 2011-12 : 100000 Shares.

10. Office Locations

The addresses and contact details of offices / locations are given on the last page of this Report.

No. of employees as on 31st March, 2012 : 2006

11. Tentative financial calendar for FY 2012-13

Financial results for the first quarter ended 30 th June, 2012	July, 2012
Financial results for the second quarter ended 30 th September, 2012	Oct, 2012
Financial results for the third quarter ended 31 st December, 2012	Jan, 2013
Financial results for the financial year ended 31 st March, 2013	April, 2013
Annual General Meeting for the year ending 31 st March, 2013	June, 2013

12. Address and contact details of the Company and Share transfer agents

Company Secretary
Sonata Software Ltd.
APS Trust Building, Bull Temple Road
N R Colony, Bangalore - 560 019, India
Tel : (080) 30972408 Fax : (080) 26610972
Email : investor@sonata-software.com
Website : www.sonata-software.com

Karvy Computershare Pvt. Ltd.
Registrars and Share Transfer Agents
Plot No.17 to 24, Vittal Rao Nagar
Madhapur, Hyderabad - 500 081, India
Tel : (040) 44655000 Fax : (040) 44655021
Email : einward.ris@karvy.com
Website : www.karvycomputershare.com

MEMORANDUM INFORMATION

Sonata Software North America, Inc.

(Formerly Offshore Digital Services Inc.)

Report of Independent Auditors To the Board of Directors of Sonata Software North America, Inc.

We have audited the accompanying balance sheets of Sonata Software North America, Inc. as of 31st March, 2012 and 2011, and the related statements of income and accumulated deficit and cash flows for the years then ended. These financial statements are the responsibility of the Management of Sonata Software North America, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Sonata Software North America, Inc. as of 31st March, 2012 and 2011, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

As explained in the notes to the accompanying financial statements, Sonata Software North America, Inc. is a wholly owned subsidiary of Sonata Software Limited and has significant transactions with its parent company.

Wilson Markle Stuckey Hardesty & Bott

11th April, 2012

BALANCE SHEET AS AT 31ST MARCH, 2012

	US\$	
	AS AT 31.03.2012	AS AT 31.03.2011
Assets		
Current Assets		
Cash and Cash Equivalents	769,935	274,134
Accounts Receivable, Net of Allowance of \$ 87,000	4,903,934	4,428,482
Prepaid Expenses	75,346	63,174
Total Current Assets	5,749,215	4,765,790
Property and Equipment, at Cost	357,259	324,463
Accumulated Depreciation	(294,653)	(279,374)
Property and Equipment, Net	62,606	45,089
Deposits and other assets	13,528	13,528
Total Assets	5,825,349	4,824,407
Liabilities and Net Capital Deficiency		
Current Liabilities		
Accounts Payable and Accrued Expenses	609,764	406,814
Accounts Payable - Sonata, net	6,703,686	6,270,227
Total Current Liabilities	7,313,450	6,677,041
Preferred stock, \$0.0001 par value, redeemable, liquidation value of \$1.00 per share, 6,500,000 shares authorized, no shares issued or outstanding	—	—
Net Capital Deficiency		
Common stock, \$0.0001 par value, 3,500,000 shares authorized, 300,000 shares issued and outstanding	300,000	300,000
Retained earnings (accumulated deficit)	(1,788,101)	(2,152,634)
Total Net Capital Deficiency	(1,488,101)	(1,852,634)
Total Liabilities and Net Capital Deficiency	5,825,349	4,824,407

Sonata Software North America, Inc.

STATEMENTS OF INCOME AND ACCUMULATED DEFICIT YEARS ENDED 31ST MARCH, 2012

	US\$	
	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Computer programming services		
Revenues	28,210,544	24,905,848
Direct costs	25,684,354	22,869,576
Gross margin	2,526,190	2,036,272
Expenses		
Sales, general and administrative	2,094,886	1,546,123
Depreciation	15,279	9,372
Total expenses	2,110,165	1,555,495
Income before taxes	416,025	480,777
Taxes on income	51,492	15,832
Net income	364,533	464,945
Retained earnings (accumulated deficit)		
Beginning of year	(2,152,634)	(2,617,579)
End of year	(1,788,101)	(2,152,634)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2012

	US\$	
	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Cash flows from operating activities		
Net income	364,533	464,945
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation	15,279	9,372
Changes in Current Assets and Liabilities		
Accounts receivable	(475,452)	(1,834,306)
Prepaid expenses	(12,172)	(51,292)
Accounts payable and accrued expenses	202,950	195,290
Net cash used by operating activities	95,138	(1,215,991)
Cash flows from investing activities		
Purchases of property and equipment	(32,796)	(39,411)
Net change in deposits and other assets	-	(4,353)
Net cash provided (used) by investing activities	(32,796)	(43,764)
Cash flows from financing activities		
Net change in accounts payable - Sonata	433,459	1,190,064
Net cash provided by financing activities	433,459	1,190,064
Change in Cash and Cash Equivalents	495,801	(69,691)
Cash and Cash Equivalents, beginning of year	274,134	343,825
Cash and Cash Equivalents, end of year	769,935	274,134
Supplemental Cash flow information		
Cash paid for income taxes	5,901	5,901

Sonata Software North America, Inc.

NOTES TO FINANCIAL STATEMENTS AT 31ST MARCH, 2012

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation

Sonata Software North America, Inc. (SSNA) changed its name from Offshore Digital Services, Inc. on 29th March, 2010. SSNA is a California corporation formed 17th April, 1992 and based in Fremont, California. SSNA provides computer-programming services to companies throughout the United States. Sonata Software Limited (Sonata), a corporation based in India that owns all of the outstanding stock of SSNA, trains and provides substantially all the employees of SSNA. Such employees work in the United States for SSNA.

Fiscal year

SSNA operates and reports using a fiscal year ending on the last day of March.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and on deposit with a commercial bank, all available within 90 days of demand.

Property and equipment

Property and equipment consists of computer and office equipment, furniture and leasehold improvements. SSNA records property and equipment at cost. Depreciation is provided on a straight-line basis over estimated useful lives of from five to seven years. SSNA generally capitalizes acquisitions exceeding \$500.

Accounts receivable and revenue

SSNA derives substantially all its revenue from software consulting services provided by its employees, independent contractors and Sonata employees, all billed on an hourly and / or a man-month basis. SSNA recognizes contract revenue and records a receivable when the employees and independent contractors perform the services.

SSNA may also contract to perform a specific computer-programming task and the contract may limit the number of billable hours or provide for a certain result. SSNA records expenses related to excess or corrective hours as incurred.

Allowance for uncollectible accounts receivable

SSNA uses the allowance method to account for uncollectible accounts receivable. Under this method, SSNA reviews all receivables for any collection problems. If SSNA determines that there may be a collection problem, it estimates an allowance for the receivable. When attempts to collect a specific receivable are unsuccessful, SSNA considers the account uncollectible and writes it off against the allowance.

Taxes on income

SSNA records deferred tax assets and liabilities for future estimated income tax reductions and increases, respectively, based on the temporary timing difference between assets and liabilities reported for financial statement and income tax purposes.

SSNA provides a 100% valuation allowance for any deferred income tax asset resulting from loss carry forwards.

SSNA has adopted the provisions of ASC 740 relating to the accounting for uncertainty in income taxes. Adoption of the provisions did not have a material impact on SSNA's liability for unrecognized tax benefits. Management believes that SSNA has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Tax years ended 31st March, 2008 to 2012 are open for examination by the Internal Revenue Service and years 2007 to 2012 by the California Franchise Tax Board.

Use of estimates

SSNA prepares its financial statements in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires Management to make estimates and assumptions. Actual results could differ from those estimated.

Estimated fair value of financial instruments

Management estimates that the aggregate net fair value of financial instruments recognized on the balance sheet (including receivables, payables and accrued expenses) approximates their carrying value, as such financial instruments are short-term in nature or bear interest at current market rates.

Note 2 – Sonata Software Limited

Sonata owns all of the outstanding stock of SSNA. Under an agreement between SSNA and Sonata, Sonata develops and produces computer programs. Sonata has the necessary technical skills and capabilities to meet the SSNA software development and production requirements from its Offshore Development Centre in India. Employees of Sonata perform work as defined by SSNA purchase orders.

During the years ended 31st March, 2012 and 2011, SSNA and Sonata based charges between them on the cost of the services rendered. During the years ended 31st March, 2012, SSNA paid or otherwise accrued charges totaling \$20,344,636 (2011 - \$19,859,920) to Sonata for contract programming services. In addition, Sonata reimbursed SSNA for certain payroll and administrative costs that SSNA incurred on behalf of Sonata.

Because of the various charges and reimbursements indicated above and other charges and transfers, SSNA records in its internal financial statements various receivables and payables due from and to Sonata. As of 31st March, 2012 and 2011, SSNA nets the various related receivables and payables, which reconcile as follows:

US\$

	AS AT 31.03.2012	AS AT 31.03.2011
Accounts Payable		
Sonata – Software development and other charges	6,768,594	6,444,263
Accounts Receivable		
Sonata – Living allowance and reimbursements	64,908	174,036
Accounts payable – Sonata, net	6,703,686	6,270,227

Note 3 – Income Taxes

SSNA has available federal and state tax loss carry forwards to offset future taxable income. Federal loss carry forwards, expiring at various times through 2022, total approximately \$1,258,000. SSNA has recorded a 100% valuation allowance against the deferred tax asset resulting from the loss carry forwards. SSNA has no other material deferred income tax assets or liabilities.

Income Tax expense for the years ended 31st March, 2012 and 2011, consist principally of federal alternative minimum and state taxes on income for which net operating loss carry forwards are not available and / or minimum taxes apply.

Note 4 – Preferred stock

In September, 2001, SSNA authorized and issued 6,500,000 shares of redeemable preferred, non-voting stock to Sonata for \$6,500,000, and used the proceeds to repay notes payable and other amounts due to Sonata. Subsequent to the issuance and prior to April, 2008, SSNA redeemed 4,000,000 shares of the preferred stock for \$4,000,000. The preferred stock has a stated liquidation preference of \$1.00 per share. The preferred stock had a cumulative annual dividend of 2% (amended from 8% in October, 2003 but effective from the issuance date). In January, 2009, SSNA amended its articles of incorporation to eliminate the cumulative dividend for the preferred stock and preferential treatment with respect to any future dividends. During the year ended 31st March, 2010, SSNA redeemed the balance of the preferred stock.

Note 5 – Retirement plan

SSNA maintains a defined contribution pension plan for the benefit of its employees. Eligible employees may defer a portion of their salary into the plan. SSNA matches employee contributions to the plan. During the year ended 31st March, 2012, SSNA made matching contributions to the plan totaling \$63,117 (2011 - \$46,965).

Note 6 – Commitments

SSNA leases office facilities under various cancelable and non-cancelable operating leases expiring through February, 2013. Future minimum payments under the non-cancelable leases for the year ending 31st March, 2013 total \$47,716.

Office facility and other rent expense that SSNA charged to operations for the year ended 31st March, 2012 totaled \$105,995 and (2011 - \$100,497).

Note 7 – Credit risk and concentrations

SSNA provides services throughout the United States to various private companies and other institutions. SSNA performs ongoing credit evaluations of the financial condition of its customers and generally requires no collateral from them.

SSNA estimates a provision for losses on its accounts receivable based on total contract revenue, accounts receivable ageing and previous experience. SSNA maintains reserves for potential credit losses and such losses have been within expectations.

At various times during the years ended 31st March, 2012 and 2011, cash and cash equivalents on deposit with a commercial bank exceeded federal deposit insurance limits.

Revenue from a series of contracts with two companies comprised approximately 45% of total revenues during the year ended 31st March, 2012. Revenue from a series of contracts with four companies comprised approximately 50% of total revenues during the year ended 31st March, 2011.

Note 8 – Subsequent events

SSNA evaluated subsequent events for recognition and disclosure through 11th April, 2012, the date that these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since 31st March, 2012 that required recognition or disclosure in such financial statements.

Sonata Software GmbH

CERTIFICATION OF INDEPENDENT AUDITORS

We have reviewed the accompanying balance sheet of Sonata Software GmbH as of 31st March, 2012 and the related profit and loss account for the period 1st April, 2011 to 31st March, 2012. These financial statements are in the responsibility of the Management of Sonata Software GmbH. Our responsibility is to express an opinion on these financial statements based on our review.

We conducted our review in accordance with reviewing standards generally accepted by the auditing profession in Germany. Those standards require that we plan and perform the review to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial situation of Sonata Software GmbH as of 31st March, 2012 and the results of its operations for the aforesaid period, in conformity with accounting principles generally accepted in Germany.

Sonata Software GmbH is a wholly owned subsidiary of Sonata Software Limited.

Cologne, 5th April, 2012

O & R
Oppenhoff & Rädler AG

BALANCE SHEET

Euro

	AS AT 31.03.2012	AS AT 31.03.2011
ASSETS		
A. Current assets		
I. Debtors and other assets		
1. Trade debtors	174,630.57	159,895.87
2. Other assets	4,020.25	1,060.00
II. Cheques, cash on hand, federalbank and postal giro accounts, cash at banks	559,290.14	545,681.05
B. Prepayments and deferred charges	585.00	275.00
	738,525.96	706,911.92
LIABILITIES AND EQUITY		
A. Equity		
I. Subscribed capital	25,000.00	25,000.00
II. Capital reserve	25,000.00	25,000.00
III. Unappropriated profit brought forward	220,693.34	132,311.60
IV. Profit for the year	85,295.16	88,381.74
B. Accruals		
1. Tax accruals	67,517.57	53,851.57
2. Other accruals	98,000.00	140,532.50
C. Creditors		
1. Trade creditors	36,023.69	24,704.61
- thereof with a remaining term of up to one year EUR 36,023.69 (EUR 24,704.61)		
2. Amounts due to investee companies	158,660.07	175,458.36
- thereof with a remaining term of up to one year EUR 158,660.07 (EUR 175,458.36)		
3. Other creditors	22,336.13	41,671.54
- thereof for taxes EUR 22,336.13 (EUR 41,671.54)		
- thereof with a remaining term of up to one year EUR 22,336.13 (EUR 41,671.54)		
	738,525.96	706,911.92

PROFIT AND LOSS ACCOUNT

Euro

	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
1. Sales Revenues	1,654,937.61	2,309,896.73
2. Total output	1,654,937.61	2,309,896.73
3. Other operating income		
a) Income from reversal of accruals	12,043.90	-
b) Other extraordinary income in connection with ordinary business activities	-	116.97
4. Staff costs		
a) Wages and salaries	837,137.28	1,198,478.49
b) Social security costs and pension and welfare expense	161,578.92	223,865.62
5. Other operating expense		
a) Ordinary operating loss		
i) Cost of premises	3,387.05	3,407.42
ii) Insurance premiums, contributions and dues	910.57	2,014.80
iii) Travel and advertising costs	-	200.00
iv) Various operating costs	538,721.93	711,428.55
6. Profit (loss) from ordinary activities	125,245.76	170,618.82
7. Taxes on profit	39,950.60	82,237.08
8. Profit for the year	85,295.16	88,381.74

To,
Sonata Software Ltd., Bangalore

We have prepared the consolidated financial statements of TUI InfoTec GmbH, Hannover, for the year starting from 1st April, 2011 to 31st March, 2012, in accordance with the German Commercial Law (HGB). These consolidated financial statements have been audited by an independent auditor.

TUI InfoTec GmbH

Heinz Kreuzer

Klaus Speder

GROUP BALANCE SHEET

ASSETS

	EURO	
	AS AT 31.03.2012	AS AT 31.12.2011
A. Fixed assets		
I. Intangible assets		
Internally generated, industrial property and similar rights and assets, and licences in such rights and assets	3,471,168.21	2,169,364.76
II. Tangible assets		
Factory and office equipment	6,608,143.62	4,644,504.00
III. Financial assets		
1. Shares in group undertakings	20,276.83	20,276.83
2. Companies measured at equity	329,041.18	349,318.01
		249,998.72
B. Current assets		
I. Inventories		
Work in progress	994,510.37	1,260,527.92
II. Receivables and other assets		
1. Trade account receivables	12,832,900.62	10,856,192.37
2. Receivables from affiliated companies	252,812.50	263,406.25
3. Other current assets	667,019.42	13,752,732.54
		607,441.52
III. Marketable securities	-	1,996,867.60
IV. Bank balances	3,476,111.61	7,358,769.51
C. Prepaid expenses	3,605,099.40	4,953,188.57
D. Deferred tax assets	230,053.82	1,351,349.90
	<u>32,487,137.58</u>	<u>35,731,887.95</u>

EQUITY AND LIABILITIES

	EURO	
	AS AT 31.03.2012	AS AT 31.12.2011
A. Shareholders' capital		
I. Subscribed capital	1,000,000.00	1,000,000.00
II. Capital reserves	1,344,453.33	1,287,068.68
III. Retained earnings	482,040.63	0.00
IV. Consolidated profits	(351,942.44)	4,173,004.82
V. Minority interests	435,634.18	410,968.93
B. Provisions		
1. Provisions for pensions	12,581,994.28	10,847,238.06
2. Tax provisions	215,694.40	1,130,487.40
3. Deferred tax provisions	25,621.28	848.97
4. Other provisions	9,080,616.57	21,903,926.53
		9,769,235.14
C. Liabilities		
1. Payments received on account	536,750.97	547,302.00
2. Trade creditors	3,780,212.81	740,863.24
3. Amounts owed to affiliated companies	736,204.33	422,726.41
4. Liabilities to shareholders	-	3,172,093.24
5. Other liabilities	2,211,868.18	7,265,036.29
		1,826,123.70
D. Deferred income and accrued expenses	407,989.06	403,927.36
	<u>32,487,137.58</u>	<u>35,731,887.95</u>

TUI InfoTec GmbH, Hannover

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	EURO	
	YEAR ENDED 31.03.12	YEAR ENDED 31.03.11
1. Turnover	80,934,050.82	90,263,260.75
2. Changes to work in progress	(266,017.55)	253,571.59
3. Other own work capitalized	605,745.08	-
4. Other operating income	589,377.89	1,260,507.42
5. Costs of materials and purchased services		
a) Cost of materials	-	11,400.00
b) Cost of purchased services	33,086,240.67	36,842,560.49
6. Gross profit	48,776,915.57	54,923,379.27
7. Staff costs		
a) Wages and salaries	31,833,039.90	30,277,581.08
b) Social security, pension and other benefits	7,155,893.46	6,693,107.40
8. Amortization and depreciation of fixed intangible and tangible assets <i>thereof impairment</i>	5,607,011.74 605,745.08	4,938,345.17 -
9. Other operating expenses	7,234,315.32	7,375,776.41
10. Result from companies measured at equity	352,671.06	65,315.86
11. Income from securities	45,595.09	29,048.53
12. Other interest and similar income	90,803.98	56,326.69
13. Interest and similar expenses	766,098.66	648,699.80
14. Profit on ordinary activities	(3,330,373.38)	5,140,560.49
15. Extraordinary expenses	63,838.00	170,535.79
16. Extraordinary result	(63,838.00)	-170,535.79
17. Taxes on income	913,511.85	1,466,422.48
18. Other taxes	26,534.14	30,348.83
19. Loss / Profit for the year	(4,334,257.37)	3,473,253.39
20. Profit owed to other shareholders	150,469.00	140,914.85
21. Consolidated profits for the year	(4,484,726.37)	3,332,338.54
22. Profit carry forward	4,132,783.93	10,056,079.31
23. Dividends distributed	-	9,215,413.03
24. Consolidated profits	(351,942.44)	4,173,004.82

GROUP CASH FLOW STATEMENT

	EURO	
	YEAR ENDED 31.03.12	YEAR ENDED 31.03.11
Net result before paid tax on income	(3,739,038.91)	4,988,929.95
Write-downs on non-current assets	5,607,011.74	4,938,345.17
Increase / Decrease of accruals and provisions	670,463.02	1,973,982.15
Loss from disposal of fixed assets	31,138.26	1,571.00
Other non cash related income and expenses	1,554,625.70	159,044.91
Decrease / Increase of inventories, trade receivables and other assets not related to investing or financing activities	(1,229,900.79)	(101,664.69)
Increase / Decrease of trade payables and other liabilities not related to investing or financing activities	(68,363.20)	785,683.19
Dividends received from companies measured at equity	279,260.75	271,458.68
Tax on income paid	(595,218.46)	(1,400,228.16)
Cash flows from operating activities	2,509,978.11	11,617,122.20
Payments received from disposals of tangible and intangible assets	42.02	-
Purchase of property, plant and equipment	(5,796,480.61)	(2,039,926.60)
Add back amounts long-term due	2,686,182.70	-
Cash outflow for intangible assets	(3,107,154.48)	(1,499,761.33)
Purchase of financial assets	-	(226,533.10)
Cash flows from investing activities	(6,217,410.37)	(3,766,221.03)
Loans from related parties	1,000,000.00	-
Distribution to minority shareholders	-	(68,449.68)
Repayment of long term borrowings	-	(500,000.00)
Distribution to shareholders	(3,172,093.24)	(6,043,319.79)
Cash flows from financing activities	(2,172,093.24)	(6,611,769.47)
Change in cash and cash equivalents from cash relevant transactions	(5,879,525.50)	1,239,131.70
Cash and cash equivalents at the beginning of period	9,355,637.11	8,116,505.41
Cash and cash equivalents at the end of year	3,476,111.61	9,355,637.11

Sonata Europe Limited

THE DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st March, 2012.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of an investment holding company and provision of software development and services.

The Directors are satisfied with the results for the year and the financial position at the balance sheet date, which are in line with expectations.

Risk

The risks facing the company are primarily driven by market conditions but also operational and financial. Whilst Management works diligently at identifying and mitigating the latter as far as possible it has no control over the former.

The principal risks to which the company is exposed is outlined in the Financial Risk Management Objectives and Policies, detailed below.

KEY PERFORMANCE INDICATORS

The company achieved a turnover from provision of software development and services of £244,503 (2011 - £46,370). The company also received dividends in respect of its shareholding in TUI InfoTec GmbH of £ nil (2011 - £3,955,779).

FUTURE DEVELOPMENTS

The company is continuing to market the provision of software development and services to its existing clients as well as prospective clients with a view to increasing the revenues from this source.

RESULTS AND DIVIDENDS

The loss for the year amounted to £186,344 and the Directors have not recommended a dividend.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk Management objectives and policy is to maintain sufficient liquidity and working capital so that the company can always meet its liabilities as and when they fall due.

At the reporting date, the main risks to which the company was exposed are as follows:

Foreign currency risks

The company has foreign currency exposure on a proportion of its cash balances held in Euros and also receives investment income in Euros. The Directors review the position regularly and take action as deemed necessary.

Liquidity risk

The company is cash positive and aims to ensure that sufficient funds are always available for its operating activities. Whilst there is no requirement for additional working capital at present, the Directors will continue to monitor the company's cash requirements.

DIRECTORS

The Directors who served the company during the year were as follows:

V Desai

S Ramarao

POLICY ON THE PAYMENT OF CREDITORS

The company is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted. It is company policy that payments to suppliers are made in accordance with these terms, provided that the supplier complies with all relevant terms and conditions.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

Lubbock Fine are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Signed on behalf of the Directors

S Ramarao
Director

Approved by the Directors on 13th April, 2012

Sonata Europe Limited

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SONATA EUROPE LIMITED YEAR ENDED 31ST MARCH, 2012

We have audited the financial statements of Sonata Europe Limited for the year ended 31st March, 2012. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st March, 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Lee Facey
(Senior Statutory Auditor)
For and on behalf of

Lubbock Fine
Chartered Accountants
& Statutory Auditor

Russell Bedford House
City Forum, 250 City Road
London EC1V 2QQ

Date: 16th April, 2012

Sonata Europe Limited

PROFIT AND LOSS ACCOUNT YEAR ENDED 31ST MARCH, 2012

		YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
	Note		
TURNOVER	2	244,503	46,370
Cost of sales		(195,602)	(37,096)
GROSS PROFIT		48,901	9,274
Administrative expenses		(352,722)	120,498
OPERATING (LOSS) / PROFIT	3	(303,821)	129,772
Income from shares in group undertakings	6	–	3,955,779
Interest receivable		97,976	34,704
Interest payable and similar charges	7	(218)	–
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(206,063)	4,120,255
Tax on (loss) / profit on ordinary activities	8	19,719	(19,719)
(LOSS) / PROFIT FOR THE FINANCIAL YEAR		(186,344)	4,100,536

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

BALANCE SHEET AS AT 31ST MARCH, 2012

		AS AT 31.03.2012	AS AT 31.03.2011
	Note		
FIXED ASSETS			
Tangible assets	9	294	685
Investments	10	11,809,263	11,809,263
		11,809,557	11,809,948
CURRENT ASSETS			
Debtors	11	179,331	39,586
Cash at bank		3,983,744	6,696,151
		4,163,075	6,735,737
CREDITORS:			
Amounts falling due within one year	12	(86,003)	(37,272)
NET CURRENT ASSETS		4,077,072	6,698,465
TOTAL ASSETS LESS CURRENT LIABILITIES		15,886,629	18,508,413
CAPITAL AND RESERVES			
Called-up share capital	14	10,285,360	12,720,800
Capital redemption reserve	15	2,435,440	–
Profit and loss account	16	3,165,829	5,787,613
SHAREHOLDERS' FUNDS	17	15,886,629	18,508,413

These financial statements were approved by the Directors and authorised for issue on 13th April, 2012, and are signed on their behalf by:

S Ramarao
Director

Company Registration Number: 05945409

CASH FLOW STATEMENT YEAR ENDED 31ST MARCH, 2012

		YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
	Note		
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	18	(331,882)	157,044
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from group undertakings		–	3,955,779
Interest received		84,008	29,901
Interest paid		(218)	–
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		83,790	3,985,680
TAXATION		(28,875)	–
REFUND OF PART PURCHASE PRICE OF INVESTMENT		–	878,853
CASH (OUTFLOW) / INFLOW BEFORE FINANCING		(276,967)	5,021,577
FINANCING			
Redemption of preference shares		(2,435,440)	–
(DECREASE) / INCREASE IN CASH	18	(2,435,440)	–
NET CASH OUTFLOW FROM FINANCING		(2,712,407)	5,021,577

Sonata Europe Limited

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST MARCH, 2012

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated outside the EEA and in accordance with Section 401 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts.

Related parties transactions

The company is a wholly owned subsidiary of Sonata Software Limited, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in Financial Reporting Standard No 8 from disclosing transactions with companies in the Sonata Software Limited group.

Turnover

The turnover shown in the profit and loss account represents amounts receivable during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Computer equipment - 33.33% straight line

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available

evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Dividends

Dividends are included in the accounts when they are paid, in accordance with Financial Reporting Standard No.21.

2. TURNOVER

The turnover and loss before tax are attributable to the provision of software development and services and are confined within the UK.

3. OPERATING (LOSS) / PROFIT

Operating (loss) / profit is stated after charging / (crediting):

	2012	2011
	(£)	(£)
Depreciation of owned fixed assets	391	391
Operating lease costs:		
- Land and buildings	-	18,750
Net loss / (profit) on foreign currency translation	146,380	(336,182)
Auditor's remuneration - audit of the financial statements	5,500	5,500
Auditor's remuneration - other fees	7,750	10,150
Auditor's remuneration - audit of the financial statements	5,500	5,500
Auditor's remuneration - other fees:		
- Taxation services	350	2,675
- Accountancy services	6,225	6,750
- Secretarial services	1,125	250
- Consultancy	50	475
	7,750	10,150

4. PARTICULARS OF EMPLOYEES

	No.	No.
The average number of staff employed by the company during the financial year amounted to:		
Number of administrative staff	1	1
The aggregate payroll costs of the above were:	(£)	(£)
Wages and salaries	128,195	122,830
Social security costs	16,990	14,972
	145,185	137,802

5. DIRECTORS' REMUNERATION

The Directors' aggregate remuneration in respect of qualifying services were:

Remuneration receivable	128,195	122,830
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6. INCOME FROM SHARES IN GROUP UNDERTAKINGS

Dividends from group undertakings	-	3,955,779
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7. INTEREST PAYABLE AND SIMILAR CHARGES

Interest on late payment of tax	218	-
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8. TAXATION ON ORDINARY ACTIVITIES**(a) Analysis of charge in the year**

Current tax:

UK Corporation tax based on the results for the year at 26% (2011 - 28%)

Carry back of tax losses

Total current tax

At the balance sheet date a deferred tax asset of £87,825 (2011 - £93,104) existed as a result of the tax losses carried forward at that date. This has not been recognised in the accounts of the company due to the uncertainty over future profits to utilise such losses against.

(b) Factors affecting current tax charge

The tax assessed on the (loss) / profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 26% (2011 - 28%).

	2012	2011
	(£)	(£)
(Loss) / profit on ordinary activities before taxation	(206,063)	4,120,255
(Loss) / profit on ordinary activities by rate of tax	(53,576)	1,153,671
Utilisation of tax loss brought forward	-	(26,858)
Capital allowances in excess of depreciation	102	109
Non taxable income	-	(1,107,618)
Disallowed expenses	1,739	415
Current year tax losses carried forward	32,016	-
Total current tax (note 8(a))	(19,719)	19,719

9. TANGIBLE FIXED ASSETS**COST**At 1st April, 2011 and 31st March, 2012**DEPRECIATION**At 1st April, 2011

Charge for the year

At 31st March, 2012**NET BOOK VALUE****At 31st March, 2012**At 31st March, 2011

Computer equipment (£)

1,174

489

391

880**294**

685

10. INVESTMENTS**COST**At 1st April, 2011 and 31st March, 2012**NET BOOK VALUE****At 31st March, 2012 and 31st March, 2011**

11,809,263

11,809,263

The company owns 50.1% of the shares of TUI InfoTec GmbH, a company registered and operating in Germany as an information technology service provider. The investment value shown above includes £519,376 relating to acquisition costs.

11. DEBTORS

Trade debtors	73,544	26,958
Amounts owed by group undertakings	10,255	-
Corporation tax repayable	28,875	-
Other debtors	1,500	1,500
Prepayments and accrued income	65,157	11,128
	179,331	39,586

12. CREDITORS:**Amounts falling due within one year**

	2012	2011
	(£)	(£)
Corporation tax	-	19,719
VAT	3,460	4,385
Amounts owed to group undertakings	78,043	5,390
Accruals and deferred income	4,500	7,778
	<u>86,003</u>	<u>37,272</u>

13. COMMITMENTS UNDER OPERATING LEASES

At 31st March, 2012 the company had annual commitments under non-cancellable operating leases as set out below:

Land and buildings

Operating leases which expire:		
Within 1 year	-	18,750

14. SHARE CAPITAL

	No.	2012	No.	2011
		(£)		(£)
Allotted, called up and fully paid:				
671,700 Ordinary shares of £1 each	671,700	671,700	671,700	671,700
9,613,660 2% redeemable convertible preference shares (2011 - 12,049,100) of £1 each		9,613,660		9,613,660
		<u>10,285,360</u>		<u>10,285,360</u>
		12,049,100		12,049,100
		<u>12,720,800</u>		<u>12,720,800</u>

The preference shares have no voting rights and the dividend on them is non cumulative and payable subject to the availability of distributable funds.

The preference shares are convertible into ordinary shares on such terms and conditions as determined by the company.

On 28th September, 2011, £2,435,440 preference shares of £1 each were redeemed at par.

15. CAPITAL REDEMPTION RESERVE

	2012	2011
	(£)	(£)
Balance brought forward	-	-
Redemption of preference shares	2,435,440	-
Balance carried forward	<u>2,435,440</u>	<u>-</u>

16. PROFIT AND LOSS ACCOUNT

Balance brought forward	5,787,613	1,687,077
(Loss) / profit for the financial year	(186,344)	4,100,536
Redemption of preference shares	(2,435,440)	-
Balance carried forward	<u>3,165,829</u>	<u>5,787,613</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

(Loss) / Profit for the financial year	(186,344)	4,100,536
Redemption of preference shares	(2,435,440)	-
Net (reduction) / addition to shareholders' funds	(2,621,784)	4,100,536
Opening shareholders' funds	18,508,413	14,407,877
Closing shareholders' funds	<u>15,886,629</u>	<u>18,508,413</u>

**18. NOTES TO THE CASH FLOW STATEMENT
RECONCILIATION OF OPERATING (LOSS) / PROFIT TO
NET CASH (OUTFLOW) / INFLOW FROM OPERATING
ACTIVITIES**

	2012	2011
	(£)	(£)
Operating (loss) / profit	(303,821)	129,772
Depreciation	391	391
(Increase) / decrease in debtors	(96,902)	163,260
Increase / (decrease) in creditors	68,450	(136,379)
Net cash (outflow) / inflow from operating activities	<u>(331,882)</u>	<u>157,044</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT
IN NET FUNDS**

(Decrease) / Increase in cash in the period	(2,712,407)	5,021,577
Movement in net funds in the period	(2,712,407)	5,021,577
Net funds at 1 st April, 2011	6,696,151	1,674,574
Net funds at 31 st March, 2012	<u>3,983,744</u>	<u>6,696,151</u>

ANALYSIS OF CHANGES IN NET FUNDS

(£)

	At	Cash flows	At
	1st Apr 2011		31st Mar 2012
Net cash:			
Cash in hand and at bank	6,696,151	(2,712,407)	3,983,744
Net funds	<u>6,696,151</u>	<u>(2,712,407)</u>	<u>3,983,744</u>

19. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Sonata Software Limited, a company incorporated in India and listed on the Bombay Stock Exchange. Copies of the group accounts of Sonata Software Limited can be obtained from APS Trust Building, 1/4 Bull Temple Road, N R Colony, Bangalore 560 019, India.

Sonata Software FZ LLC, Dubai

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MARCH, 2012

The Directors present their report and financial statements for the year ended 31st March, 2012. The company was incorporated on 11th January, 2009.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is providing value-based information technology solutions to customers and its range of services includes IT consulting, product engineering services, application development, application Management, managed testing, business intelligence, infrastructure Management, packaged applications and travel solutions.

RESULTS AND DIVIDENDS

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements.

DIRECTORS AND THEIR INTERESTS

As at 31st March, 2012, the Directors of the company are Mr. Sanjay Viswanathan and Mr. Srikar Reddy Palem and none of them hold any shares in the Company. On 14th February, 2012, Mr. Sanjay Viswanathan resigned as one of the Directors of the company. The formalities of his resignation are still on process as of the balance sheet date.

Approved by the board on 13th April, 2012 and signed on its behalf by

P. Srikar Reddy
Director

INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2012

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Sonata Software FZ LLC ("the company"), which comprise the statement of financial position as at 31st March, 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31st March, 2012, and a summary of significant accounting policies and other explanatory notes.

This report is made solely to the company's shareholders as a body. Our audit work has been undertaken so that we might state to the company's shareholders those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report or for the opinion formed.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of 31st March, 2012 and the results of its operations and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Russell Bedford (Dubai) Limited Auditors and Business Advisers

Date: 15th April, 2012

Sonata Software FZ LLC, Dubai

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH, 2012

		US\$	
	Note	AS AT 31.03.2012	AS AT 31.03.2011
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	4	3,912	7,117
Total non-current assets		3,912	7,117
CURRENT ASSETS			
Trade and other receivables	5	409,652	1,428,489
Amounts due from related parties	9	50,259	-
Work in progress	6	528,385	570,827
Cash and cash equivalents	7	756,907	175,987
Total current assets		1,745,203	2,175,303
Total assets		1,749,115	2,182,420
LIABILITIES			
CURRENT LIABILITIES			
Amounts due to related parties	9	1,159,175	1,671,008
Trade and other payables	8	13,059	49,944
Total liabilities		1,172,234	1,720,952
EQUITY			
Share capital	10	136,129	136,129
Retained earnings		440,752	325,339
Total equity		576,881	461,468
Total equity and liabilities		1,749,115	2,182,420

These financial statements were approved by the Directors and authorised for issue on 13th April, 2012 and are signed on their behalf by:

P. Srikar Reddy
Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST MARCH, 2012

		US\$	
	Note	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Revenue		3,232,308	3,878,593
Cost of services		(2,642,579)	(3,189,197)
GROSS PROFIT		589,729	689,396
General and administrative expenses		(474,316)	(510,637)
NET PROFIT FOR THE YEAR	3	115,413	178,759

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2012

	US\$		
	Issued share capital	Retained earnings	Total
Balance at 1 April 2010	136,129	146,580	282,709
Profit for the year	-	178,759	178,759
Balance at 31 March 2011	136,129	325,339	461,468
Balance at 1 April 2011	136,129	325,339	461,468
Profit for the year	-	115,413	115,413
Balance at 31 March 2012	136,129	440,752	576,881

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

	US\$	
	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	115,413	178,759
Adjustments for:		
Depreciation and amortisation	3,205	3,302
Provision for doubtful debts	19,750	-
	138,368	182,061
CHANGES IN WORKING CAPITAL		
Change in trade and other receivables	999,088	(330,881)
Change in work in progress	42,442	(236,169)
Change in amounts due from related parties	(50,259)	-
Change in amounts due to related parties	(511,833)	462,447
Change in trade and other payables	(36,886)	(37,037)
NET CASH FLOWS FROM OPERATING ACTIVITIES	580,920	40,421
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to fixed assets	-	(1,224)
NET INCREASE IN CASH AND CASH EQUIVALENTS	580,920	39,197
CASH AND CASH EQUIVALENTS		
At the beginning of the year	175,987	136,790
At the end of the year	756,907	175,987

Sonata Software FZ LLC, Dubai

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Sonata Software FZ LLC ("the company") is registered in Dubai Internet City ("DIC") in the Emirate of Dubai, U.A.E and the company is wholly owned by Sonata Software Ltd., a company registered in India. The principal activity of the company is providing value-based information technology solutions to customers and its range of services includes IT consulting, product engineering services, application development, application Management, managed testing, business intelligence, infrastructure Management, packaged applications and travel solutions.

The registered address of the company is Office # 507, Al Thuraya Tower 01, Dubai Internet City, P.O. Box 502818, Dubai, United Arab Emirates. The company was incorporated on the 11th January, 2009.

On 14th February, 2012, Mr. Sanjay Viswanathan resigned as one of the Directors of the company. The formalities of his resignation are still on process as of the balance sheet date.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

Basis of measurement

The financial statements have been prepared on the historical cost basis.

Functional and presentation currency

The financial statements are presented in United States Dollars ("USD"), which is the company's functional currency.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS's requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgments made by Management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 12.

IASB Standards and Interpretations issued but not adopted

A number of new standards, amendments to standards and interpretations are effective for accounting periods starting after 31st March, 2012, and have not been adopted early in preparing these financial statements.

IAS 27 Separate financial statements (applicable to annual reporting periods beginning on or after 1st January, 2013)

IAS 28 Investments in associates and joint ventures (applicable to annual reporting periods on or after 1st January, 2013)

IFRS 9 Financial instruments (applies to annual periods beginning on or after 1st January, 2015)

IFRS 10 Consolidated financial statements (applicable to annual reporting periods beginning on or after 1st January, 2013)

IFRS 11 Joint arrangements (applicable to annual reporting periods beginning on or after 1st January, 2013)

IFRS 12 Disclosure of interests in other entities (applicable to annual reporting periods beginning on or after 1st January, 2013)

IFRS 13 Fair value measurement (applicable to annual reporting periods beginning on or after 1st January, 2013)

IFRS 7 Amendments to IFRS 7 Financial Instruments: Disclosure (applicable to annual reporting periods beginning on or after 1st July, 2011)

IFRS 7 Amendments to IFRS 7: Disclosure – offsetting financial assets and financial liabilities (applicable to annual reporting periods beginning on or after 1st January, 2013)

IAS 12 Amendments to IAS 12 Deferred tax: Recovery of underlying assets (applicable to annual reporting periods beginning on or after 1st January, 2012)

IFRS 1 Amendments to IFRS 1 Severe hyperinflation and removal of fixed assets for first-time adopters (applicable to annual reporting periods beginning on or after 1st July, 2011)

IAS 19 Amendments to IAS 19 Employee benefits (applicable to annual reporting periods beginning on or after 1st January, 2013)

IAS 32 Amendment to IAS 32 Offsetting financial assets and financial liabilities (applicable to annual reporting periods beginning on or after 1st January, 2014)

Management has assessed the impact of the new standards, amendments to the standards and interpretations and concluded that they are either not relevant to the company or their impact is not material to its financial statements.

Property and equipment

All property and equipment is stated at historical cost less depreciation, amortisation and provision for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Estimated useful life (in years)
Computers and peripherals	3
Office equipment	7
Furniture and fixtures	7

Leasehold improvements and major renovations are amortised over the term of the lease or the estimated useful life of the improvements, whichever is shorter.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at initial valuation, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according

to the original terms of the receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Share capital

Ordinary shares are classified as equity.

Trade and other payables

Trade and other payables are recognised initially at fair value.

Financial liabilities

Financial liabilities are recognised initially at fair value.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Revenue recognition

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities.

Costs and expenses

Costs and expenses are recognised when incurred.

3. NET PROFIT

Net profit is stated after charging:

	Year ended 31.03.2012	Year ended 31.12.2011
Auditor's remuneration	14,000	14,000
Depreciation	3,205	3,302
Staff costs	1,038,359	1,002,413
Office rent	38,977	46,269

US\$

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at 31st March, 2012 consisted of:

US\$

	Leasehold Improvements	Office Equipment	Computers and Peripherals	Furniture and Fixtures	Total
Cost					
At 1 st April, 2010	2,852	451	6,261	5,554	15,118
Additions during the year	-	-	1,224	-	1,224
At 31 st March, 2011	2,852	451	7,485	5,554	16,342
At 1 st April, 2011	2,852	451	7,485	5,554	16,342
At 31 st March, 2012	2,852	451	7,485	5,554	16,342
Depreciation					
At 1 st April, 2010	2,852	74	2,054	943	5,923
Charge during the year	-	66	2,444	792	3,302
At 31 st March, 2011	2,852	140	4,498	1,735	9,225
At 1 st April, 2011	2,852	140	4,498	1,735	9,225
Charge during the year	-	66	2,345	794	3,205
At 31 st March, 2012	2,852	206	6,843	2,529	12,430
Net book value At 31st March, 2012	-	245	642	3,025	3,912
At 31 st March, 2011	-	311	2,987	3,819	7,117

5. TRADE AND OTHER RECEIVABLES

	31 st March 2012	31 st March 2011
Trade receivables	376,934	1,374,128
Prepayments	14,875	26,364
Staff advance	972	2,237
Other receivables	16,871	25,760
	<u>409,652</u>	<u>1,428,489</u>

US\$

6. WORK IN PROGRESS

	31 st March 2012	31 st March 2011
Work in progress	<u>528,385</u>	<u>570,827</u>

US\$

7. CASH AND CASH EQUIVALENTS

This includes cash balances held in United States Dollars and United Arab Emirates Dirhams current accounts with commercial banks in the United Arab Emirates.

8. TRADE AND OTHER PAYABLES: Amounts falling due within one year

	31 st March 2012	31 st March 2011
Accrued expenses	8,000	38,938
Accrued salaries	5,059	11,006
	<u>13,059</u>	<u>49,944</u>

9. RELATED PARTY TRANSACTIONS

The company, in the normal course of its business, enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. These transactions comprise of recharges of expenses and funds transferred from related parties. These transactions have been carried out on the basis of terms agreed between the company and the Management of the related parties.

Details of the company's related party transactions are as follows:

	31 st March 2012	31 st March 2011
Operational charges to a related party	1,679,475	2,529,498
Funds transferred to related parties	<u>21,837</u>	<u>-</u>

Amounts due from related parties

Sonata Software (Qatar)	21,837	-
Mohamed Nasser Abdullah Al Misnad	<u>28,422</u>	<u>-</u>
	<u>50,259</u>	<u>-</u>

Amounts due to related parties

Sonata Software Limited	1,159,175	1,618,349
Sonata Software Limited – US Branch	<u>-</u>	<u>52,659</u>
	<u>1,159,175</u>	<u>1,671,008</u>

10. SHARE CAPITAL

The details of share capital at 31st March, 2012 are shown below:

	Number of shares	Amount
Authorised shares of AED 1,000 each	<u>500</u>	<u>136,129</u>
Issued and paid	<u>500</u>	<u>136,129</u>

11. FINANCIAL INSTRUMENTS

US\$

	31 st March 2012		31 st March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	756,907	756,907	175,987	175,987
Amounts due from related parties	50,259	50,259	-	-
Trade and other receivables	<u>409,652</u>	<u>409,652</u>	<u>1,428,489</u>	<u>1,428,489</u>
Financial liabilities				
Trade and other payables	13,059	13,059	49,944	49,944
Amounts due to related parties	<u>1,159,175</u>	<u>1,159,175</u>	<u>1,671,008</u>	<u>1,671,008</u>

The fair value of financial assets and liabilities approximate the book value at 31 March 2012. Accounting policies for financial assets and financial liabilities are set out in note 2.

The main risks arising from the company's financial instruments are credit risk and liquidity risk.

The company manages these risks as follows:

Credit risk

The company scrutinises all potential customers to assess the ability of the customer to pay before offering credit.

Liquidity risk

The Company is cash positive and aims to ensure that sufficient funds are always available for its operating activities. Whilst there is no requirement for additional working capital at present, the Management will continue to monitor the company's cash requirements.

12. ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements made by Management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year comprise of residual value and useful lives of property, plant and equipment and other receivables.

Sonata Software (Qatar)

GENERAL MANAGERS' REPORT FOR THE 299 DAY PERIOD ENDED 31ST MARCH, 2012

The general managers present their report and financial statements for the 299 day period ended 31st March, 2012.

The company was incorporated on 7th June, 2011.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is software development and information technology consulting.

RESULTS AND DIVIDENDS

There were no trading results for the period as the company has not commenced its' operational existence. The company's financial position at the end of the period is shown in the attached financial statements.

GENERAL MANAGERS AND THEIR INTERESTS

As at 31st March, 2012, the general managers of the company are Mr. Sarkar Subham and Mr. Umamaheshwaran Lakshiminarayanan Shastry and none of them hold any shares in the Company. On 31st January, 2012, Mr. Umamaheshwaran Lakshiminarayanan Shastry resigned as one of the managers of the company. The formalities of his resignation are still on process as of the balance sheet date.

Approved by the general managers on 15th April, 2012 and signed on its behalf by

Subham Sarkar
General Manager

INDEPENDENT AUDITORS' REPORT FOR THE 299 DAY PERIOD ENDED 31ST MARCH, 2012

Report on the Financial Statements

We have audited the accompanying financial statements of Sonata Software (Qatar) ("the company"), which comprise the statement of financial position as at 31st March, 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 299 day period ended 31st March, 2012, and a summary of significant accounting policies and other explanatory notes.

This report is made solely to the company's shareholders as a body. Our audit work has been undertaken so that we might state to the company's shareholders those matters that we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report or for the opinion formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of 31st March, 2012 and the results of its operations and its cash flows for the 299 day period then ended in accordance with International Financial Reporting Standards.

Russell Bedford (Dubai) Limited

Date: 15th April, 2012

Sonata Software (Qatar)

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH, 2012

	Notes	US\$ AS AT 31.03.2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	4	35,700
Other Receivables	5	14,871
Total Current Assets		50,571
Total Assets		50,571
LIABILITIES		
CURRENT LIABILITIES		
Other payables	6	1,500
Amounts due to related parties	7	54,845
Total liabilities		56,345
EQUITY		
Share capital	8	55,080
Accumulated losses		(60,854)
Total equity (deficit)		(5,774)
Total equity and liabilities		50,571

These financial statements were approved by the general managers and authorised for issue on 15th April, 2012 and are signed on their behalf by:

Subham Sarkar
General Manager

STATEMENT OF COMPREHENSIVE INCOME FOR THE 299 DAY PERIOD ENDED 31ST MARCH, 2012

	US\$ PERIOD ENDED 31.03.2012
Revenue	-
Cost of services	-
GROSS PROFIT	
Interest income	125
General and administrative expenses	(60,979)
(LOSS) FOR THE PERIOD	(60,854)

STATEMENT OF CHANGES IN EQUITY FOR THE 299 DAY PERIOD ENDED 31ST MARCH, 2012

	US\$	Issued share capital	Accumulated Losses	Total
Capital introduced	55,080	-	-	55,080
(Loss) for the period	-	(60,854)	(60,854)	(60,854)
Balance at 31 st March, 2012	55,080	(60,854)	(5,774)	

STATEMENT OF CASH FLOWS FOR THE 299 DAY PERIOD ENDED 31 MARCH 2012

	US\$ PERIOD ENDED 31.03.2012
CASH FLOWS FROM OPERATING ACTIVITIES	
(Loss) for the period	(60,854)
CHANGES IN WORKING CAPITAL	
Change in other receivables	(14,871)
Change in amounts due to related parties	54,845
Change in other payables	1,500
NET CASH FLOWS FROM OPERATING ACTIVITIES	(19,380)
CASH FLOWS FROM FINANCING ACTIVITIES	
Capital introduced	55,080
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,700
CASH AND CASH EQUIVALENTS	
At the beginning of the period	-
At the end of the period	35,700

NOTES TO THE FINANCIAL STATEMENTS FOR THE 299 DAY PERIOD ENDED 31 MARCH 2012

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Sonata Software (Qatar) ("the company") is a limited liability company and is registered in the Qatar Chamber of Commerce and Industry in Doha, Qatar. The principal activity of the company is software development and information technology consulting.

Name of the shareholders Ordinary shares

Mohamed Nasser Abdulla Al Misnad 102

Sonata Software Limited 98

The company was incorporated on 7th June, 2011 and has not yet commenced operations.

On 31st January, 2012, Mr. Umamaheshwaran Lakshiminarayanan Shastry resigned as one of the managers of the company. The formalities of his resignation are still on process as of the balance sheet date.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

Basis of measurement

The financial statements have been prepared on the historical cost basis.

Functional and presentation currency

The financial statements are presented in United States Dollars ("USD"), which is the company's functional currency.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS's requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgments made by Management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 10.

IASB Standards and Interpretations issued but not adopted

A number of new standards, amendments to standards and interpretations are effective for accounting periods starting after 31st March, 2012, and have not been adopted early in preparing these financial statements.

- IAS 27 Separate financial statements (applicable to annual reporting periods beginning on or after 1st January 2013)
- IAS 28 Investments in associates and joint ventures (applicable to annual reporting periods on or after 1st January, 2013)
- IFRS 9 Financial instruments (applies to annual periods beginning on or after 1st January, 2015)
- IFRS 10 Consolidated financial statements (applicable to annual reporting periods beginning on or after 1st January, 2013)
- IFRS 11 Joint arrangements (applicable to annual reporting periods beginning on or after 1st January, 2013)
- IFRS 12 Disclosure of interests in other entities (applicable to annual reporting periods beginning on or after 1st January, 2013)
- IFRS 13 Fair value measurement (applicable to annual reporting periods beginning on or after 1st January, 2013)
- IFRS 7 Amendments to IFRS 7 Financial Instruments: Disclosure (applicable to annual reporting periods beginning on or after 1st July, 2011)

- IFRS 7 Amendments to IFRS 7: Disclosure – offsetting financial assets and financial liabilities (applicable to annual reporting periods beginning on or after 1st January, 2013)
- IAS 12 Amendments to IAS 12 Deferred tax: Recovery of underlying assets (applicable to annual reporting periods beginning on or after 1st January, 2012)
- IFRS 1 Amendments to IFRS 1 Severe hyperinflation and removal of fixed assets for first-time adopters (applicable to annual reporting periods beginning on or after 1st July, 2011)
- IAS 19 Amendments to IAS 19 Employee benefits (applicable to annual reporting periods beginning on or after 1st January, 2013)
- IAS 32 Amendment to IAS 32 Offsetting financial assets and financial liabilities (applicable to annual reporting periods beginning on or after 1st January, 2014)

Management has assessed the impact of the new standards, amendments to the standards and interpretations and concluded that they are either not relevant to the company or their impact is not material to its financial statements.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short- term highly liquid investments with original maturities of three months or less.

Share capital

Ordinary shares are classified as equity.

Other payables

Other payables are recognised initially at fair value.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Revenue recognition

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities.

Costs and expenses

Costs and expenses are recognised when incurred.

Related party transactions and relationships

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between entities, which are under common control with the reporting enterprise or between the reporting enterprise and its key Management personnel, Directors, or its shareholder.

Transactions between related parties are accounted for at agreed terms. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

3. NET (LOSS)

Net (loss) is stated after charging:

	US\$
	31st March 2012
Office rent	<u>19,829</u>
Legal and registration cost	<u>33,008</u>
Auditor's remuneration	<u>6,000</u>

4. CASH AND CASH EQUIVALENTS

This includes cash balances held in a Qatari Riyal current account with a commercial bank in Qatar.

5. OTHER RECEIVABLES

	US\$
	31st March 2012
Prepayments	<u>4,957</u>
Deposit	<u>9,914</u>
	<u>14,871</u>

6. OTHER PAYABLES**Amounts falling due within one year**

Accrued expense	<u>1,500</u>
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7. RELATED PARTY TRANSACTIONS

The company, in the normal course of its business, enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. These transactions have been carried out on the basis of terms agreed between the company and the Management of such related parties.

There were no significant related party transactions as at the balance sheet date.

AMOUNTS DUE TO RELATED PARTIES

	US\$
	31st March 2012
Sonata Software Limited	33,008
Sonata Software Limited FZ LLC	<u>21,837</u>
	<u>54,845</u>

8. SHARE CAPITAL

The details of share capital at 31st March, 2012 are shown below:

	Number of shares	Amount
Authorised shares of QAR 1,000 each	200	55,080
Issued and paid	<u>200</u>	<u>55,080</u>

9. FINANCIAL INSTRUMENTS

	Carrying amount	Fair value
Financial assets		
Cash and cash equivalents	35,700	35,700
Other receivables	<u>14,871</u>	<u>14,871</u>
Financial liabilities		
Other payables	1,500	1,500
Amounts due to related parties	<u>54,845</u>	<u>54,845</u>

The fair value of financial assets and liabilities approximate the book value at 31st March, 2012. Accounting policies for financial assets and financial liabilities are set out in note 2.

The main risk arising from the company's financial instruments is liquidity risk. The company manages this risk as follows:

Liquidity risk

The Company is cash positive and aims to ensure that sufficient funds are always available for its operating activities. Whilst there is no requirement for additional working capital at present, the Management will continue to monitor the company's cash requirements.

10. ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements made by Management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year comprise of other receivables.

11. COMPARATIVE FIGURES

This being the first period of audit since inception, no comparative figures are included in these financial statements.

BOARD OF DIRECTORS

Pradip P Shah

Chairman

S B Ghia

Director

M D Dalal

Executive Vice Chairman

Viren Raheja

Director

P Srikar Reddy

Managing Director & CEO

S N Talwar

Director

B K Syngal

Director

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

B K Syngal, Chairman

S B Ghia

Pradip P Shah

INVESTORS' GRIEVANCE COMMITTEE

S B Ghia, Chairman

P Srikar Reddy

M D Dalal

REMUNERATION COMMITTEE

S N Talwar, Chairman

S B Ghia

B K Syngal

Viren Raheja

SOLICITORS

M/s Talwar, Thakore & Associates

Mr William E Horwich

M/s Gleiss Lutz

M/s Fladgate Fielder

AUDITORS

M/s N M Raiji & Co

COMPANY SECRETARY

Priya Manoj Jaswani

INVESTOR QUERIES

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Sonata Software (Qatar) LLC

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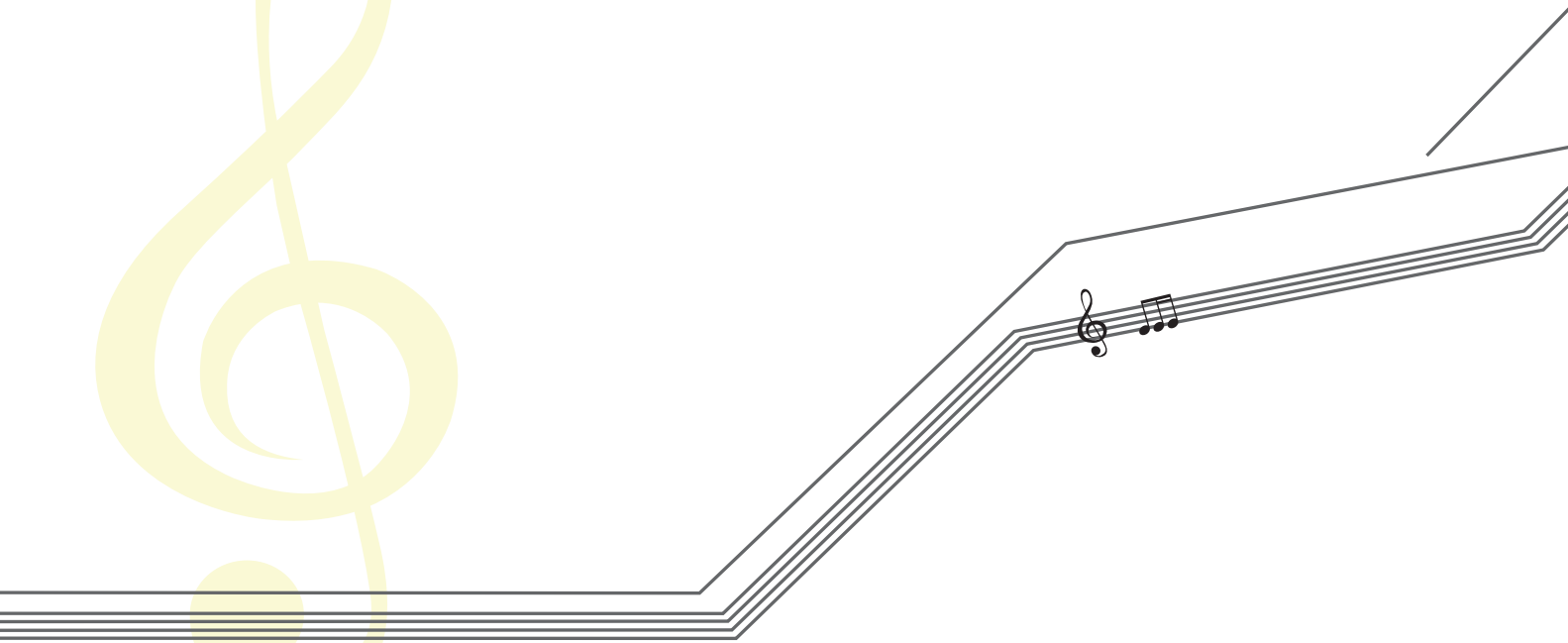
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